

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201437019**  
Release Date: 9/12/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** June 6, 2014

**LEGEND:**  
y = scholarship amount

**UIL:**  
4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

You will operate a program to assist deserving students who would have difficulty in continuing their academic pursuits without the benefit of your scholarship. Your goal is to lighten the amount of outstanding loans that a student will have upon graduation.

Once active, you will advertise the scholarships by providing information sheets and copies of the application to university deans and president offices where your board members are involved. The number of scholarships to be made annually depends on applicants and interest. Each board member is permitted to choose one student to provide a scholarship. Since applicants will be unrelated individuals whom board members are exposed to through the community, each board member may have a

student to provide a scholarship to in a given year. The number of individuals who are eligible to apply is not limited. However, you will distribute a maximum of four scholarships in a given year. Total scholarships awarded would include both new scholarships granted in the current year and also any renewed scholarships that were provided in a prior year. If in a given year, no qualified students apply for a scholarship, then no scholarships will be awarded.

The amounts provided will vary based upon the school's tuition and fee costs. The amount of each grant is determined by a review of the expenses associated with the student's education. During the approval process you will determine their level of support, whether the scholarship is full or partial support and also which of the academic expenses you will cover (tuition and fees, books, housing, etc). Scholarship recipients will be approved by all board members, but the monetary limitation of scholarships in a given year would be determined by each board member's allotted grant/scholarship budget. The maximum amount of money granted to a student would be y dollars per year.

Students who may apply include: high school seniors, students currently in undergraduate studies, graduate studies, or college graduates hoping to begin graduate studies (law school, masters programs, PhD Programs). Qualifications to apply are as follows:

- maintain good academic grades: grade-point-average (GPA) to remain 3.0 or above;
- carry at least 12 graded units per term;
- maintain good civic standing: no convictions for felony or misdemeanor involving moral turpitude;
- maintain good standing in academic institution: no disciplinary action by the academic institution in the previous academic semester.

The recipient is encouraged to participate in some form of volunteer work for the betterment of others. Scholarships will be provided to students who are currently enrolled at an educational institution. The students should be studying at a domestic institution. There is no limit as to the level of schooling, location of the student, or the studies chosen by the student.

Scholarships are renewable, based on an annual renewal process that is similar to the application process. The scholarship can be renewed for any years in which the student is a full-time student seeking to obtain their declared degree. While in college, the student must abide by all qualifications to apply at all times in order to be considered for renewal.

A completed application is required for consideration which includes:

- personal information;
- written essay discussing personal background, educational triumphs, and how a scholarship positively affects your educational experience;
- transcripts of grades and college board tests scores;

- two references from teachers, school administrator, employees or community organizers.

Currently, board members who are involved in varying degrees in their communities will select deserving students, unrelated to you, who may benefit from your scholarship. Oftentimes, students will become aware of your scholarship program or you will become aware of the student through your board members' relationships with school personnel; including the dean of students and school presidents. Board members also participate in the governance of certain colleges.

The selection committee is composed of your board of directors. At this time, the sole requirement for being on the committee is to be a board member. If a board member were to resign from service, you would seek out a board member in accordance with your bylaws. Board and committee members should be involved with their community. They should also have a general knowledge on private foundations and the parameters for operations of a private foundation. Board members are also encouraged to have a charitable giving plan.

Selection of students will be based on the student's ability to demonstrate a successful academic record which showcases their commitment and enthusiasm for education. This would include - but is not limited to -the following: high GPA, participation in various activities, academic honors, placement on honor roll, recipient of prior scholarships or awards, etc. The primary intent is to award excellence and achievement, both academic and extracurricular, for exceptional students.

Your certified public accounting (CPA) firm, before writing the scholarship check, will verify that the student receiving the scholarship is not related to any of your board members. The scholarships will be granted without regard to race, religion, ethnicity, gender or sexual preference. Scholarship funds are paid directly to the academic institution to be applied for educational related expenses, including but not limited to, tuition, school sponsored housing, books, and school fees. You will instruct the school regarding how the funds should be applied. In the case of a multi-semester/quarter scholarship, in order to maintain support, the student will be required to submit an official transcript so that you may verify his/her good academic standing before receiving the next scholarship payment. The student will also be required to sign a statement certifying that he/she has met all the standards set forth in the aforementioned requirements each semester and submit an accounting of the costs approved to support the scholarship's value.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records. If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations