

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

Release Number: **201441026**
Release Date: 10/10/2014
Date: July 16, 2014

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B= Name

D= City Name

E= Name

X= Name

Y= Name

c dollars = Dollar Amount

g= Quantity

j%= Number

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 in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program.

The purpose of your scholarship program is to create positive differences in the lives of awardees and in their communities — specifically, to see awardees: 1) complete college in four years (junior college in two years), with employment opportunities and well defined

career plans; 2) have rewarding and productive careers and successful family relationships; and 3) become financially independent and contribute to their communities and society.

You will use your founder's guidelines as follows in operating your scholarship program:

- The applicants must be residents of D for at least g years, or students from D who are residents of E.
- Grants will be made to needy students who will be most likely to create high levels of success for you and the recipient.
- Grants will be need based. Some indicators of need are: expectations of low levels of family contributions to educational expenses; the amount of education expenses paid from the students' work earnings; and willingness of candidates to go into reasonable amounts of debt to fund their education.
- The amount of grants awarded each year will be about j% of the value of your assets or the amount required by government regulations if such amount is more than j% of the value of assets.
- General scholarships will be "renewable", i.e. a commitment will be made to a recipient for each of the remaining number of years of college, provided that each year prior to payment of scholarship funds the recipient has met the criteria for the award, as defined in writing by you. The criteria will include the student maintaining a full time status in school and a grade point average of at least 2.5 in their major and minor courses of study.
- You will over time, seek to award an equivalent number of scholarships to girls and boys.
- Awards to male students will be known as the X Scholarship and awards made to female students will be known as the Y Scholarship.

As envisioned by your founder, your scholarships are awarded to students of B public high school which has over 500 students in the community of D to cover qualified education expenses (tuition and fees; and course related expenses such as books, supplies and equipment).

You currently base the number of first-time grants made to seniors in a given year on 1) the number of existing scholarships that are likely to be renewed; 2) the qualifications of that year's applicants, and 3) the amount of your grant funds available for awards to individuals in that year. The scholarships are in the range of c dollars.

You actively publicize your scholarships through word of mouth by the B public high school guidance office staff, and through postings throughout the school. Applicants also obtain your application from the B public high school guidance office staff. In addition to completing your detailed application which requires a unique essay, applicants must also complete and attach the B public high school scholarship application with the school essay, history of co-curricular activities for 4 years; work experience, transcripts, teacher's recommendation letter(s), college acceptance letter, any financial aid award letters, the Student Aid Report provided from FAFSA and all FAFSA related statements

requested on the high school's financial page. Applications must be submitted by the end of April to the B public high school's registrar's office.

Your president and the chair of your advisory board, will personally select the individual awardees using the following procedures:

- Applications from all applicants applying for your scholarships are compiled by the guidance office of B public high school and sent in confidence to your selection committee.
- Each selection committee member will read every application completely and carefully, making note of the applicants' grades in their various courses; co-curricular activities, including sports, clubs, and volunteer experience; work experience including after school and summer jobs; and financial considerations including expected yearly college expenses, expected family contributions, loans granted or pending approval.
- Your committee will independently, rank order the applicants subjectively, in a non-discriminatory fashion in terms of racial preference, and considering their grades, their financial need and merit, including the soundness of their goals and the likelihood of them achieving their goals.
- Your selection committee confers to discuss the reasons for their ranked orders and a consensus is reached and the guidance office of B public high school is notified.

Winners are announced at the B public high school award night at the end of the school year. Recipients are also notified by a notification letter and are required to send you a copy of the notification letter, along with their social security number, college student ID number, and the address of the financial aid office for their college and verify they are full time students. You will make payments directly to the colleges, not the awardees, to cover qualified education expenses (tuition and fees; and course related expenses such as books, supplies and equipment).

The scholarships will be "renewable" as intended by your founder, i.e. a commitment will be made to a recipient for each of the remaining number of years of college, provided that each year prior to payment of scholarship funds the recipient has met the criteria for the award, as defined in writing by you. The criteria will include the students maintaining a full time status in school and a grade point average of at least 2.5 in their major and minor courses of study as well as the students having the registrar's office timely send you official transcripts at the end of each semester; the recipients must also write a short essay explaining their plans for their upcoming college year courses, athletics, co-curricular, paid work and other activities as well as their addresses and other contact information so you may keep in touch with them and maintain adequate records and case histories. If the recipients do not remain fulltime students, the college will be asked to return the unused funds.

You agree to arrange to receive and review grantee reports annually and upon completion of the purpose, for which the grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and 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 diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and 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 may report any significant changes to your program by completing Form 8940 and sending it 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.

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