

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

**Department of the Treasury**

Number: **201442062**  
Release Date: 10/17/2014

**Employer Identification Number:**

**Date: July 23, 2014**

**Contact person - ID number:**

**Contact telephone number:**

LEGEND

UIL: 4945.04-04

B=

\$x =

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 provided in Code section 117(b)).

**Description of your request**

You award educational scholarships to candidates who are accepted as full-time students at a college or university in a course of study leading to the awarding of a bachelor's degree. Up to ten scholarship of \$x or less will be awarded annually.

You will publicize the program through a website, work with the school guidance counselors, and advertise the program within the community served by B.

The scholarships will be offered to high school students who have a parent or legal guardian employed as an active firefighter or police officer in any of the 30 plus communities in your geographic area. No member of the families of your board of directors or any employee of B will be eligible to receive a grant.

Each applicant must:

- Submit a complete transcript of their academic record,
- An essay,
- evidence of acceptance at a qualified educational institution,
- At least one letter of recommendation from a teacher, and
- Any other information the applicant deems relevant to their application, including, but not limited to, any scores received on the Scholarship Aptitude Test or similar tests, community service, extracurricular activities and work activities.

Academic merit will be evaluated based on the student's cumulative grade point average, highest SAT Reasoning Test and ACT single highest composite score. Students who have received scholarships in the past will be required to re-apply through the same process as new applicants.

After reviewing all application materials, you will determine the total amount of funds available for awards. This amount includes the contributions made during the prior year and approximately five percent of the average value of your endowment over the three preceding years. The selection committee will then determine the number and size of scholarships that will be awarded to applicants, taking into account the funds available and the demonstrated merit of the applicant pool.

You will appoint credible and impartial members to the selection committee to evaluate scholarship candidates. Your committee will be composed of at least three individuals selected your board of directors, including at least one member of your board and one member of the community. The committee will award scholarships based solely on the application and materials submitted by the applicant and an interview with the selection committee.

You will make tuition payments directly to the recipient's academic institutions. Each individual awarded a scholarship will be required to submit an annual report of his or her courses taken and the grades received for each academic period. The report must be verified by the educational institution.

The committee will review the annual reports. Where the reports or the failure to submit reports indicates that grant funds are not being used for intended purposes, you will institute an investigation. If you determine that all or part of any scholarship grant are not being used for proper purposes, you will recover any diverted grant funds and insure that no further diversions will occur. These steps will include legal action when appropriate.

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 awarded.

#### **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