

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201450025**
Release Date: 12/12/2014

Employer Identification Number:

Contact person - ID number:

Date: September 17, 2014

Contact telephone number:

LEGEND:

S = county/state
T = county
U = county
V = county
W = high school
y = dollar amount
z = dollar 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 won't 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(c)).

Description of your request

You will provide scholarships to needy, worthy and ambitious graduates of high schools in S who are regularly enrolled or accepted for enrollment in accredited colleges or universities.

The number of scholarships distributed will vary depending on the amount of funds available to be distributed. However, it is estimated that anywhere from 300 to 700 individuals are eligible to apply for the scholarship, annually, and you will award between 10 and 20 scholarships. The amount of each award generally ranges from y to z dollars. You will advertise the award in several local newspapers.

To be eligible, students from W must have a 2.0 grade-point-average (GPA), demonstrate financial need and be accepted to an accredited college or university. Graduates of high schools in T, U and V counties may also be considered if the committee cannot find sufficient qualified candidates from S.

Each year you advise the scholarship selection committee of the amount of funds available to be awarded as scholarships. The members of the selection committee review the scholarship applications, rank the applicants based on GPA and financial need, and makes recommendations to you regarding the individuals selected and the amount that should be awarded to each applicant. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship is awarded to any disqualified person as defined in Code Section 4946.

Each scholarship recipient shall remain eligible for renewals. You request proof of enrollment and a transcript for each year the student wishes to renew their scholarship. Past recipients of scholarships are given first consideration for future scholarships so long as the need exists and the recipient meets the required standards of academic achievement required by the school attended. There are no limitations on the amount of times a scholarship can be renewed.

Your trust document names the following five members to your selection committee: a professional man or woman, a business man or woman, a public school teacher (all of whom shall be college or university graduates), an S Judge and a church minister located in S.

You pay the scholarship proceeds directly to the school that the recipient attends for the benefit of the recipient. You provide a letter to each school specifying that the school's acceptance of the funds constitutes the schools agreement to notify you and refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship.

If the school will not agree to such terms, they are to return the check and you will obtain proof of enrollment and a grade transcript from the student. You will do this by sending a grant letter to the student to have them sign to acknowledge individual expenditure responsibility before any check is mailed to the student. If the student does not sign the agreement and provide proof of enrollment and grade transcripts, they will not receive the scholarship.

You arrange to receive and review grantee reports annually and upon completion of the purpose for which the scholarship was awarded, investigate diversions of funds from their

intended purpose and take all reasonable and appropriate steps to recover diverted funds, ensure other scholarship funds held by a recipient are used for their intended purpose and withhold further payments to recipients until you obtain assurances that future diversions will not occur and that the recipient will take extraordinary precautions to prevent future diversions.

You 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.

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