

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945-04.04

X= County, State
Y= Counties, State
r dollars = Dollar amount

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 provide scholarships to individuals to commence or continue their studies at a college or post high school trade or technical school.

Your purpose is to provide financial assistance to deserving graduating seniors who attend high school in X or Y.

Grants awarded to any one qualified applicant may be up to, but not exceed, \$r dollars in any fiscal year. The Selection Committee, after being advised by the Trustees of the amount of funds available from you for the forthcoming fiscal year, shall recommend to

the Board the number of grants to be awarded, the qualified applicants to whom such grants should be awarded, and the amount of each grant.

Grant proceeds may generally be used only for tuition, fees, books and other costs of attending classes, lectures and other educational programs conducted by the educational institution. However, under appropriate circumstances and upon the recommendation of the Selection Committee, the grant proceeds may be used for living expenses, expenses for room and board during the individual's attendance, travel costs, and other costs of the educational experience.

The Selection Committees are authorized to publicize the existence of the program in such ways as will bring the program to the attention of persons having an interest in advancing their attending a college or university.

To be a qualified applicant for a grant under the Program, an individual must meet the following standards:

- Applicant must reside in X or Y.
- Applicant must demonstrate economic need for the grant.
- Applicant must submit a confidential application in a form to be prepared by the Selection Committee.
- Applicant must be enrolled, or about to enroll, in a college or university that qualifies as an educational institution as defined in Section 170(b) (1) (A) (ii) of the Internal Revenue Code.
- Applicant must demonstrate his or her commitment to volunteer service in community programs.

You may give preference to qualified individuals who meet the following criteria:

- Applicant's disadvantaged socio-economic background
- Applicant's Latino heritage
- Applicant being the first in his or her immediate family to go to college or University

The Program shall be administered by two Selection Committees appointed by your trustees and chaired by one of your trustees or a delegate. One Selection Committee shall be responsible for scholarships to be granted in X and the other for scholarships to be granted in Y. The Selection Committees shall be responsible for screening all applicants for grants and for making recommendations of qualified applicants, based upon your standards. You shall have the ultimate authority over the selection of those qualified applicants who shall be awarded grants.

Recipients of grants shall be selected from qualified applicants on an objective and nondiscriminatory basis regardless of the race, creed, color, age, religion or sex of the applicant. No grant shall be awarded under the Program to any person if any officer or member of your organization would derive a direct or indirect private benefit.

Except as recommended by the Selection Committee, the grant proceeds generally shall be paid directly to the educational institution for the purpose of enabling the student to pursue his or her studies at such institution.

The Selection Committee shall arrange to obtain periodic (but not less than annual) reports of the courses taken (if any) by the recipient and the grades received (if any) for the academic period covered by the grant from the educational institution at which the grant recipient is studying. In the case of a grant recipient whose course of study involves the preparation of research papers or projects, rather than the taking of courses, a brief report on the resulting project or paper shall be obtained. The report shall be approved by the appropriate faculty member or other official of the educational institution. The Selection Committee shall also arrange to obtain a final report upon the completion of the recipient's study at the educational institution. All such reports shall be reviewed by the Selection Committee at least once a year.

If any of the reports indicate that the grant proceeds are not being used in furtherance of the required educational purposes, the Selection Committee shall make appropriate investigation into the matter. The grant shall not be renewed under these circumstances and until it has been determined that the recipient has not used the grant proceeds for improper purposes. If the grant proceeds have been used for improper purposes, no further grants may be made to such recipient (regardless of whether the impropriety is corrected) and the Selection Committee shall take all necessary and appropriate action to obtain repayment of the grant proceeds which have been misused or misapplied.

You will maintain records and files with regards to the Program.

Such records shall include:

- All information you obtain to evaluate the qualifications of all applicants for grants,
- Identification of grant recipients,
- Specification of the amount and purpose of each such grant, and
- All information pertaining to supervision of the recipient.

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