

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

4945-04.04

R= County
S= High School
T= City
U= State
z dollars = Amount
b= Number
c= Number
d= Number
e= Grade

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

You are operating a scholarship program. You have a goal of improving the quality of life in R. You will provide scholarships to graduates of S for post-high school education at accredited institutions.

The amount and number of each award is determined annually and based on your available resources as determined by your board. The amount of the annual award is the same for all scholarships. Initially, you will provide a total of b scholarships to graduating seniors of S in T for the amount of z dollars; c of these scholarships are renewable for up to d years and are to be used to pursue a four year degree in engineering or in a major of liberal arts or the performing arts. The remaining scholarship is renewable for a second year and is to be used to pursue a two year degree in a trade or vocational area of study. The required areas of study may change from time to time as you determine the best interests of the community and matching your emphasis.

You anticipate expanding your program to each high school located in R and perhaps others in the surrounding area. It could also be expanded to home-schooled students who are attaining the equivalent of a high school diploma and intend to continue their education at an accredited institution.

You will publicize the scholarship program with the high schools that it is offered, generally with the cooperation of each school's guidance department. Schools are required to list the availability of the scholarships and the application process in the same manner that it publicizes other community-based scholarships so that the process is public and open to all who desire to apply. As the program expands beyond one school, it is anticipated that news releases to local print and electronic media will be used.

Individuals applying for a scholarship must meet the following eligibility criteria:

- Applicants must be graduating seniors from S.
- Applicants must have a minimum high school grade point average of e at the time of the application.
- Applicants must show acceptance in an accredited U Institute of higher learning intending to major in one of the following: (i) Education, Mathematics, the Sciences or Liberal Arts Bachelor Degree program; (ii) Engineering (civil, chemical, electrical, or Information Technology) Bachelor Degree program; (iii) Two year vocational degree program.

Applicants must complete a detailed application and may submit the application and supporting materials either by email to you or in hard copy to you by a certain date. Applicants must include a current high school transcript, two letters of reference from non-family members who know them well, and proof of acceptance in a qualifying institution of higher learning; if not yet accepted, the applicant may include proof of application and the expected date by which the applicant expects to receive a determination of acceptance.

Your board of directors selects the scholarship committee and currently consists of your board members and the R high school principle. Once you have gained operational experience in the scholarship process, it is anticipated that not all of your directors will be on the committee and that other outside committee members will be chosen by your board based on their familiarity with local schools, higher education requirements, and leadership in the community. No person may serve on the committee who is a

“disqualified person” or related within the third degree of consanguinity to any applicant. The process is intended to be and the board shall assure that the selection process will be: (a) fairly administered, (b) open to all regardless of race, sex, creed, national origin, marital status, and (c) in compliance with the Internal Revenue Code and Regulations. Your directors, officers, employees, and scholarship committee members and their family members and other disqualified persons as defined in Section 4946 are ineligible for awards while that status is maintained and for two years after termination of that status.

When evaluating applicants, you first look to the intended major area of study. You also use: (a) grade transcripts to help determine the potential for success in post-high school education, (b) history of extracurricular activities that evidence work ethic and leadership skills, (c) recommendation letters submitted with the application that support these two criteria as well as general social maturity of the applicant, and (d) to the extent known, other awards or resources available to the applicant. You do not focus on the highest ranking students; rather, you believe that those who are in the upper half of their class are likely to be successful but may often be overlooked in other scholarship awards that focus solely on grade point average. It is your goal to encourage good students to continue their education by helping to alleviate the financial burden. If an applicant is known to have received other scholarship awards, you will consider that in determining the successful recipient.

You will pay scholarship funds directly to recipient’s educational institution for qualified education expenditures including tuition, fees, and course related expenses such as books, supplies, and equipment as allowed by the Internal Revenue Code and Regulations.

Each recipient is required to provide a grade transcript at the completion of each term showing that they completed the term and met the grade requirements. The applicant must also submit a class schedule or tuition receipt for the next term in order to continue to receive the scholarship funds. Your secretary is responsible for collecting and reviewing this information. Any recipient who does not meet the requirements will be contacted and if the information is not received or suitable alternative arrangements for complying are not made, then you will be advised and you shall have the final determination whether to terminate the remaining portion of the scholarship.

You have the following criteria in place for a renewal of the scholarship:

- The remaining installments are subject to forfeiture if the recipient is no longer enrolled in the approved course of study at an accredited U institution or does not meet the minimum GPA requirements.
- Recipients must maintain a minimum GPA in the major course of study of 3.2 on a 4.0 scale and an overall GPA equivalent to 3.0 on a 4.0 scale by the end of each academic year. Recipients will provide a grade transcript to you.
- Recipients may request you approve a leave of up to one year from the course of study which may be granted at your sole discretion.
- You reserve the sole right and discretion to interpret and/or modify these conditions or to resolve any issues not specifically covered.

You maintain case histories showing recipients of your scholarships including names, addresses, purposes of awards, amount of each grant and manner of selection.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate any 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.

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