

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: 12/2/2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Place

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 to achieve your purpose of enhancing access to higher education. Your program's purpose is to provide scholarships to deserving graduating high school students of the public high school in X. You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942 so the number of scholarships and the amounts will vary depending on the amount of funds available to be distributed. In addition, all scholarships are awarded on an objective and non-discriminatory basis and no scholarship may be awarded to any disqualified person as defined in Code Section 4946.

Eligible candidates will be seniors at X high school who have demonstrated good citizenship and moral principles. You will not consider any students, who have citizenship issues, school code issues, or honor code violations. Financial aid will not be a prerequisite for being a recipient of an award. The scholarships are renewable as long as the students are in good standing and continuing their college, university, or post-graduate studies.

There is no application process. The principal of X high school recommends deserving, outstanding students to members of the awarding committee, which consists of the superintendent of the city of X, the principal of X high school, and a member nominated by your trustee, who is currently the school counselor from X high school.

Each year the trustee advises the awarding committee of the amount of funds available to be awarded as scholarships. The committee ranks all students on grade-point-average (GPA), good citizenship and moral character; the committee also considers those who are most likely to succeed in college.

The awarding committee must provide the meeting minutes to you in which they outline the guidelines/criteria used to select scholarship recipients; these would only have to be provided once. The awarding committee must also annually provide you the signed minutes of the committee meeting and a list of all names, addresses and last four digits of each recipient's social security number, and the amount of each award. They must also sign and return to you a copy of your conflict of interest policy

Once you approve the list, you will send a congratulatory letter to the recipients and ask them to provide the name of the school they are attending. Each recipient may select any fully accredited college, or university or technical or vocational school beyond the high school level. The scholarships are also announced at the Senior Award night.

The trustee pays the scholarship proceeds directly to the school the recipient attends for the benefit of the recipient and provides a letter to each school specifying that their acceptance to the funds constitutes their agreement to (i) refund an unused portion of the scholarship if the scholarship recipient fails to meet any term or condition of the scholarship (ii) notify the trustee if the scholarship recipient fails to meet any term or condition of the scholarship. If the school will not agree to such terms the trustee will obtain the needed reports and grade transcripts from the scholarship recipient.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded and investigate diversions of funds from their intended purpose as well as take all reasonable and appropriate steps to recover diverted funds, ensure other grants funds held by the grantee are used for their intended purposes, and withhold further payments to grantee until you obtain grantees assurances that future diversions will not occur and the 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 grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you under took the supervision and investigation of grants

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