

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201521020**

Release Date: 5/22/2015

Date: February 26, 2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

X= program

Y= state

z = dollar amount

UIL:

4945.04-04

Dear _____ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code sections 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code sections 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

You will operate an educational grant program called X. X will enable capable and qualified Y graduating high school seniors to advance themselves through education and to participate in mentorships with Y nonprofit organizations or governmental agencies. X is primarily intended to aid students who are unlikely to receive sufficient assistance from conventional sources. Upon completion of high school, recipients will receive their award to pursue post-secondary education. In addition, recipients are required to work summer internships from local nonprofit organizations or governmental agencies for at least two summers. Working summer internship is one of the renewal requirements under X.

X is a four-year supplemental award program intended to cover the unmet needs of the student. The amount, allocation and utilization of the award will be determined after all other financial aid resources and expected family contributions have been applied. You currently plan to provide each recipient z dollars per year during their four years of college. X is intended to provide awards to individuals who show promise of benefiting significantly from the education and who can be expected to become more useful citizens

with special attention to identify those who are not likely to obtain the assistance from convention sources. The amount for each award is z dollars for all recipients with allocations and designations between scholarships and internships based on individual circumstances and needs.

You will make the existence of X known by communicating it to school officials, students, school counselors/teachers/administrators and local nonprofits. You may also publicize through the internet and social media. Potential recipients complete an application including information about their background and family, academic achievement, extracurricular activities, community service involvement, educational and career goals, a personal statement explaining how they meet the leadership criteria and three letters of recommendation.

To be eligible to apply, an applicant:

- (a) Must have attended (and graduated from) a high school or other secondary school in the State of M;
- (b) Must have been admitted to an accredited and qualifying institution;
- (c) Must not be related to any director or manager of or substantial contributor to you, be employed by any business of which any such person is a significant owner, or be a descendant of such an employee or to any other person who could be designated as a disqualified person; and
- (d) Must have submitted to you a completed application

Recipients are selected based on the following criteria:

- (a) Must be at least a high school senior, on track to graduate, with a minimum cumulative and current Grade Point Average anticipated to be at least 3.5;
- (b) Must submit ACT or SAT scores as one factor to be weighed in judging academic excellence;
- (c) A record of community involvement to demonstrate leadership potential and commitment to the Y community;
- (d) Involved in meaningful participation in extracurricular activities;
- (e) Must submit a completed application along with academic transcripts, letters of recommendation, student essays, parental income verification and a college financial aid award letter; and
- (f) Personal interview on recipients motivation, character, ability and potential.

Requirements and conditions to maintain and qualify for renewal include:

- (a) Must be enrolled full time;
- (b) Remain in good academic standing with verification from the college;
- (c) Must demonstrate satisfactory academic progress;
- (d) Showing continued financial eligibility;
- (e) Maintain required communications with your staff;
- (f) All financial aspects are properly accounted for;
- (g) A narrative report at the conclusion of every semester; and

- (h) Participate in at least two summer internships with a narrative report at the conclusion of their internship, which includes an assessment of the experience and accomplishments.

Awards will be disbursed to the academic institutions, paid to the organizations where the recipients perform the internships or paid to the recipients directly. Any awards made directly to the recipients will require a report with receipts.

You will take all reasonable steps to recover any funds that the grant recipient has used for improper purpose.

Your Selection Committee will be appointed by you and should consist of two or more qualified persons. The Committee will vary from year to year and will consist of individuals whose families are ineligible to receive grants under X. The Committee has the sole authority to award X. Relatives of members of your Committee, or your officers, directors or substantial contributors are not eligible for the 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 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations