

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

**Department of the Treasury**

Release Number: **201533017**  
Release Date: 8/14/2015  
Date: **May 22, 2015**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B= Name  
C= State  
x = Number  
y dollars= 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 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 provided in Code section 117(c)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B. Your program is intended to facilitate the growth of promising leaders in the state of C by developing the skills needed to flourish within their local communities. You will award x scholarships for y dollars each academic year. Each scholarship is renewable up to four years. This is a need-based scholarship with criteria focusing on an individual's involvement in his or her community, rather than academic or athletic performance. Your program will be advertised through local media and on your website.

To be eligible, applicants must:

- Attain a high school diploma or GED in C.
- Complete an application to at least one C collegiate program (university, college, or trade program).
- Commit to attending a C university, college, or trade school.
- Complete standardized testing required for program admission (SAT or ACT).
- Provide proof of community involvements/volunteerism.

Individuals must complete and submit an application, attach a one-page personal essay and two letters of recommendation. All supporting documents from the checklist must be included with the application as a package. Incomplete applications will be disqualified.

The Scholarship Advisory Committee will select scholarship recipients and consists of your board members, officers, and directors. If the individuals in those positions resign or are replaced by you, the new individuals in those positions would assume the respective position on the Scholarship Advisory Committee. The Scholarship Advisory Committee will select the recipients based on the following:

- 45% Application
- 45% Financial Need
- 10% 'Something Special'

Financial need is determined after considering the applicant's total annual household income (students and parent/guardians), the number of students in the household attending college, the estimated tuition/room/board/books' expenses, any estimated grant/scholarship aid received to date, the estimated family contribution (student and parent/guardian), and the amount of annual college expense unfunded (such as intending to use student loans).

To receive a scholarship each year, recipients must meet and maintain the following eligibility requirements:

- Be enrolled and complete a minimum of twelve units per semester at a university, college or trade school in C.
- Maintain at least a 2.5 cumulative grade point average each semester.
- Abide by the school's rules, policies and code of conduct regarding student safety, behavior, and discipline

Each student will be responsible to send their final grades/transcripts to you for renewal approval. Failure to abide by the above terms and conditions may result in revocation or nonrenewal of the scholarship which is at the sole discretion of your Scholarship Advisory Committee.

Scholarship funds are submitted directly to the student's college of attendance. Funding is never written to an individual but is only written to the student's college of choice.

The school will only use the funds if the student is in good standing, which is defined as maintaining a cumulative GPA of 2.5 during each semester. Funds are to be used strictly for tuition, books, and subsequent fees at C accredited universities, colleges, or trade programs.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

#### **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 questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations