

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201539034**

Release Date: 9/25/2015

Date: **June 29, 2015**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Region Name

C = State Name

UIL: 4945.04-04

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(b)).

Description of your request

Your letter indicates you are operating a scholarship program which holds and administers a fund that provides scholarship grants to individuals who reside in the United States (with an emphasis on the B particularly those in the state of C to enable such individuals to complete a high school, undergraduate, graduate or technical school education in the field of their choice at any accredited school they have selected in the United States. In the case of apprenticeship programs, scholarships will be provided for the organized, related instruction in technical subjects required for apprenticeship programs that are registered by the U.S. Department of Labor, Office of Apprenticeship, offered by an institution that meets the criteria described in section 170(b)(1)(A)(ii) of the Code. Your scholarship program is intended to enable highly motivated individuals with

an emphasis on nontraditional students to improve their life circumstances through education including those attending apprenticeship programs as well as those attending colleges, universities and vocational schools.

Scholarship recipients are to be selected on an objective and nondiscriminatory basis. To this end, the group from which grant recipients are selected must be sufficiently broad so that giving grants to one or more members of the group fulfills a charitable purpose. Scholarship recipients must be students who are pursuing studies at an "educational institution" described in section 170(b)(1)(A)(ii) of the Code (i.e., an institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are regularly carried on). Scholarship funds may only be used for purposes that qualify as a "scholarship" within the meaning of IRC 117(a) (as in effect on the day before the date of enactment of the Tax Reform Act of 1986). Included in eligible "educational institutions" are institutions that provide the organized, related instruction in technical subjects required by CFR Title 29 – Part 29.5(b)(4) of apprenticeship programs registered by the U. S. Department of Labor, Office of Apprenticeship, that also meet the criteria of section 170(b)(1)(A)(ii) of the Code.

To be eligible for a scholarship, applicants must, at the time of application, reside in C or, at such time as your board of directors decides to expand the program, one or more of the other states in the B, and plan to attend on a full-time basis (or a part-time basis, in special circumstances) a fully accredited educational institution (including institutions providing related instruction in technical subjects in apprenticeship programs registered by the U.S. Department of Labor, Office of Apprenticeship) in the United States. In addition, to be eligible for consideration, applicants submit with their application: (i) a detailed plan outlining how the applicant proposes to use scholarship funds, including the name of the educational institution he or she plans to attend, the tuition, fees and other expenses that would be necessary for the applicant to attend, the duration and location of the program, and the degree or certification sought by the applicant (an "Education Plan"); and (ii) a description of how pursuing the contemplated course of study would improve his or her life circumstances (a "Personal Essay"). Applicants need not be traditional students who are generally eligible for scholarship aid from a variety of other sources. Rather, they may be nontraditional students, such as:

- Individuals whose needs are not being met at their public high schools and need to attend a private or alternative high school;
- Individuals who received a General Equivalency Degree ("GED") instead of a high school diploma;
- Individuals who did not finish high school and have not obtained a GED but would like to obtain a GED and/or pursue an education at a technical or vocational school that can teach them a valuable skill for earning a living;

- Low-income adults who are returning to school, or are starting higher education for the first time;
- Low-income individuals who will be the first in their family to attend college;
- Individuals who are striving to overcome obstacles in their lives (e.g., foster care system, homelessness) and are looking to make a fresh start through education; or
- Returning military.

Scholarship grants awarded will consist of two components. (1)(i) amounts paid to or for the benefit of the scholarship recipient to cover his or her tuition and fees required for attendance at the school, plus (ii) an allowance for fees, books, supplies and equipment required for courses of instruction to be determined by the your Board of Directors from time to time; and (2) other amounts to aid the recipient in the pursuit of his or her studies, such as room and board and travel expenses, as determined by your Board from time to time. The amounts described in (1) will be awarded according to the selection criteria below. The amounts described in (2) will be awarded based on financial need as determined by your Board. In the case of apprenticeship training programs, the amounts described in (1) are the amounts required to cover tuition, fees, books, supplies and equipment for courses of instruction classified as "the required organized, related instruction in technical subjects" required by CFR Title 29 – Part 29.5(b)(4) of apprenticeship programs registered by the U. S. Department of Labor, Office of Apprenticeship.

Scholarship applicants who meet the eligibility requirements will be evaluated based on criteria that are appropriate to accomplishing the underlying purpose of the scholarship which is to enable individuals to complete a high school, undergraduate, graduate or technical school education in the field of their choice at any accredited school. The criteria will include (in order of importance), but not be limited to, the following:

- Quality and strength of the applicant's education plan;
- Quality and strength of the applicant's personal essay;
- Demonstration of motivation, enthusiasm and aptitude to pursue and complete the educational program;
- Degree of financial need;
- Recommendations from instructors, counselors, principals, supervisors, co-workers and others who have knowledge of the applicant's capabilities;
- Prior academic experience, including grades, class rank and difficulty of academic

program if the applicant has attended an educational institution within five years from the date of application;

- Performance on tests designed to measure ability and aptitude for educational work, including the SAT I and II, ACT and Advanced Placement exams, or other relevant aptitude exams; and
- Strength of character, including concern for others, commitment to a cause greater than oneself and/or overcoming major hardship.

You represent that your Board will be responsible for evaluating scholarship candidates and approving all scholarship grant awards under this program. You may, in your discretion, utilize the technical, non-voting assistance of professional educators, former scholarship recipients, scholarship services' providers and other persons with helpful expertise in carrying out these functions.

Any person, who participates in the evaluation and selection process, whether in a voting or nonvoting capacity, must adhere to the relevant policies of yours as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy. Such persons are obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential scholarship candidate is selected over others. No scholarship grant may be awarded to any member of your Board, any substantial contributor, any of your employees, or any other disqualified person as defined in IRC 4946(a) with respect to you, or for a purpose that is inconsistent with the purposes described in IRC 170(c)(2)(B).

On an annual basis, you will publicize the availability of scholarship grants to potential students living in C or, at such time as your board of directors decides to expand the program, one or more of the other states in the B, through letters, publications, the internet, high school counselors, college administrators, community institutions or such other means of broad dissemination as you determine appropriate. Scholarship applicants will be required to submit such application forms and supporting materials as you may deem appropriate on a schedule to be determined by you. Such forms and supporting materials will include, at a minimum, information concerning the applicant's financial need, as well as the education plan and personal essay referred to above.

Scholarship grants will be awarded on a term by term basis, with the understanding that if the recipient is adhering to the conditions of the scholarship, as evidenced by timely submission of required progress reports to you, scholarships will ordinarily be renewed for an entire school year (as defined by the educational institution). If the period of time necessary to attain the degree or certificate sought by the recipient is longer than one school year, renewal for another school year will be considered by your Board upon the submission of an application for renewal by the recipient. In general, scholarships will

only be renewed if the recipient is maintaining at least a 3.0 out of 4.0 grade average (or its equivalent).

Each scholarship grant recipient will be required to sign a written agreement setting forth the terms and conditions of the scholarship, such as: (i) the specific purpose of the scholarship; (ii) its amount and duration; (iii) conditions and procedures for renewal; (iv) the institution to which it will be paid; (v) requirements for reports, including the due dates for such reports; and (vi) any other expectations of the recipient during the scholarship period.

You will ordinarily pay scholarship grant funds directly to the educational institution for the use of the scholarship grant recipient. Each educational institution must be described in IRC Section 170(b)(1)(A)(ii). You will notify each scholarship recipient's educational institution of the award and the terms and conditions of its use. The notification will specify that all amounts must be used exclusively for tuition, fees, books, supplies, equipment and room and board (if applicable) as necessary for the recipient to pursue his or her education. The notification will describe the reporting requirements and will specify the date by which the educational institution must comply with the reporting requirements. A representative of the educational institution must sign and return a copy of the notification, agreeing to the reporting and distribution requirements, before any funds are disbursed.

If, for any reason a scholarship grant is paid to a person rather than the educational institution attended by the scholarship recipient, the you will secure from the recipient an agreement that he or she will furnish you with: (i) reports of his or her courses taken and grades received in each academic period, and (ii) proper receipts to evidence that the funds have been used by the recipient for the purposes determined under the scholarship. The reports must be verified by the educational institution attended by the recipient, and must be furnished at least once per term, as soon as available after the end of the term, as well as upon completion of his or her studies at the institution. If you obtain information indicating that scholarship funds are not being used for the purposes of the scholarship grant, or if the recipient fails to provide the required reports in a timely manner, you will investigate the use of such funds.

While conducting its investigation, you will withhold further payments to the recipient until any delinquent reports have been submitted. If you determine that scholarship funds have been improperly diverted, you will:

- take all reasonable and appropriate steps either to recover the diverted funds or to ensure restoration of the funds and dedication of other scholarship funds held by the recipient to the purposes of the scholarship; and
- Withhold further payments to the recipient until you have received the recipient's assurances that future diversions will not occur and you have required the recipient to take extraordinary precautions to prevent future diversions from occurring (provided, however, that if the recipient has previously diverted

scholarship funds, you will withhold further payments until such funds are, in fact, recovered or restored).

The phrase "all reasonable and appropriate steps" includes legal action where appropriate, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

You represent that you will maintain records with respect to all scholarships made to scholarship recipients. Such records will include: (i) all information you obtained to evaluate the qualification of potential scholarship recipients; (ii) identification of the recipients (and Any information sufficient to establish that they are not disqualified persons); (iii) specification of the amount and purpose of each scholarship; and (iv) any additional information you obtained in complying with the Plan, including supervision of the scholarships and investigation and recovery of diverted scholarship funds. Information pertaining to unsuccessful applicants for awards will be kept along with information on successful applicants. Records pertaining to any scholarship grant made pursuant to this program will be kept for no less than three years after the filing of the your annual tax return for the period in which the last installment of such grant was paid.

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