

**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:**

**Date: November 24, 2015**

**LEGEND**

UIL: 4945.04-04

B= Scholarship Program 1  
C= Scholarship Program 2  
D= Scholarship Program 3  
F = Location  
G = County  
H = Region  
J= Organization  
K = Organization  
L = Organization  
M = Region  
w dollars = Amount  
x dollars = Amount  
y dollars = Amount  
z 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 provide in Code section 117(b)).

### **Description of your request**

Your letter indicates you will operate scholarship programs called B, C and D. The overall purpose of the scholarships is to award students who display a high level of academic proficiency monetary scholarships (typically w dollars – x dollars per scholarship) to cover a small part of their tuition. The bulk of the scholarship award money granted by you is provided to students who are pursuing a teaching degree in an accredited teacher preparation program in the F, in order to encourage outstanding students to become educators.

The scholarship programs are publicized in various ways including the following:

- Electronic links to the applications on the J website
- Email notifications to the Presidents of J's affiliated local associations located throughout the F
- Notification of the scholarship programs through the use of social media such as Facebook and twitter accounts
- Distribution of applications to high school guidance counselors
- Distribution of applications to Student J Chapter Advisers at colleges and universities throughout the F

The B provides for one or more scholarships in the F area. The specific criteria used to determine eligibility for B are as follows:

- Completion of scholarship application form in its entirety
- Enrollment in an approved undergraduate program of teacher education in an accredited institution of higher education in the F
- Demonstration of a high degree of academic proficiency
- Active membership in Student J (for current college students) or K or L (for high school seniors), if such chapter is available at their school
- Demonstration of desire to become an educator to improve the quality of education in F

Candidates for the B must be members in good standing of their high school community L, where available, and intend to enroll in an approved undergraduate program of teacher education at an accredited institution of higher education in the F. Candidates must submit official grades and/or transcripts with their application forms to show a high degree of academic proficiency. If selected, candidates must submit a formal letter of acceptance from an approved undergraduate teacher education program.

The C will provide two y dollars scholarships for individuals in the G area. The specific criteria used to determine eligibility for the C are as follows:

- Completion of scholarship application form in its entirety including an essay
- Enrollment in an approved undergraduate program in an accredited institution of higher education in the F

- Demonstration of a high degree of academic proficiency
- Son or daughter of a member in good standing of the J who is working for a school employer located in G, F

When selecting recipients of the C, Scholarship Selection Committee members shall each individually score the scholarship applicants based on overall GPA with weight of classes taken considered in the ranking process. Following the completion of their preliminary rankings of the scholarship applicants, the committee members shall discuss the applications and rankings and may alter any of their rankings. Committee members then submit their final ranking of the scholarship applications. The top scholarship applicant(s) will be selected based upon the highest composite scores of the applications. Higher scores may determine larger scholarship amounts. A tie ranking may be broken through evaluation by the Selection Committee following interviews (either phone or in-person) with the affected applicants. Copies of all applications and rankings shall be maintained by the J for one year following the grant of the scholarship. Two applicants who meet all application criteria may be granted a scholarship per year. The name of the applicant(s) recommended by the Selection Committee shall be sent to J for final approval.

The D is for high school graduates who plan to attend a college or university in the H area and will be for z dollars. The specific criteria used to determine eligibility for the D are as follows:

- Completion of scholarship application form in its entirety
- Enrollment in an approved undergraduate program of teacher education in an accredited institution of higher education in the F
- Demonstration of a high degree of academic proficiency
- Son or daughter of a member in good standing of the J who is working for a school employer located in G, F.

The following criteria may also be used to select scholarship recipients depending on the particular scholarship program:

- Participation in school related organizations, activities, or clubs
- Participation in community related organizations, activities, or clubs
- Elected position(s) held in school related or community organizations, activities or clubs
- Overall grade point average
- Education related coursework taken/grade achieved
- Reasons for becoming an educator/vision for improving education
- Plans for future participation in J or Student J

The make-up of the Scholarship Selection Committee is defined in the trust document. Standing committee members are defined by position (within J staff or governance). The

individuals holding those defined positions maintain the flexibility to assign other members to the Committee as needed. The current make-up of each Scholarship Selection Committee is as follows:

#### B Selection Committee

- J Staff Consultant to Student Associations
- Student J President
- Such other committee members as the J Staff Consultant to Student Associations and Student J President may designate

#### C Selection Committee

- J Midwestern Region President
- J Midwestern Region Field Director
- Such other committee members as the Midwestern Region President and Region Field Director may designate (none currently)

#### D Selection Committee

- J Western Region President
- J Western Region Field Director
- Such other committee members as the Western Region President and Region Field Director may designate

The number of scholarships is determined in conjunction with a review of your income from the previous year, along with a review of the number of grants given out in the previous year. Each scholarship program is required to award at least one scholarship of z dollars each year per the trust document. You anticipate awarding approximately 12 scholarships each fiscal year.

The maximum amount of total scholarships awarded annually for each program is determined by the trustees in advance of the scholarship selection process. The amount is determined in conjunction with a review of the scholarship trust's income from the previous year, along with a review of the total amount of scholarships awarded in the previous year. The Scholarship Selection Committee sets the amount of each individual grant within the approved total maximum amount determined by the trustees. The Selection Committee utilizes a scoring rubric to evaluate each applicant based on the previously mentioned criteria. Applicants with higher scores may be awarded higher scholarship amounts. Currently the individual scholarship awards range in amount from w dollars to x dollars.

Recipients must attend a four-year college or university and provide an acceptance letter from the college or university as well as provide their student ID number. All scholarship awards are sent directly to the college or university financial aid office for application to the students tuition account. Scholarship awards are a one-time grant. Accompanying the

check will be a cover letter explaining that the scholarship is to be applied to tuition and if the student is no longer enrolled for any reason, the check must be returned to the trust. If any diversion of scholarship awards from their intended purposes came to the trust's attention, reasonable and appropriate steps would be taken to recover the funds. Applicants may re-apply for scholarships in subsequent years provided they continue to meet the criteria described above.

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,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements