

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

Department of the Treasury

Number: **201618018**
Date: 4/29/2016

Date: February 2, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

T = County
V = County
W = Scholarship
X= Organization
z dollars = Amount

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 provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program to provide funds for higher education expenses. The scholarship will be called the W. You will award one scholarship per high school in the X membership area. There are currently 12 high schools in the membership area. The scholarships are currently for z dollars but the amount may increase or decrease in the future based on your financial situation.

The W will be publicized by including information in X materials and providing information to the guidance departments at each of the area high schools.

Applicants must meet each of the following requirements:

- Be a legal resident of the United States
- Be a student in good standing at selected high schools in T and V counties
- Be a graduating high school senior during the year of the award
- Be planning to attend an accredited institution of higher learning upon graduation from high school (Students planning to attend universities, colleges, seminaries, technical colleges and community colleges are all encouraged to apply.)
- Be planning to enroll in a post-secondary program of study that will result in a Bachelors or Associate Degree or equivalent

The selection criteria will include GPA, highest cumulative ACT or SAT score, extracurricular activities, non-school and non-work public service and community activities, government activities, honors and awards publications and other special recognition. Applicants must provide a brief written narrative why they believe they are qualified to receive the scholarship. There is also a 1-page essay that is encouraged but not required.

Applications will be submitted to each high school principal. The principal, or designee, will review applications and forward qualified applications, with recommendations, to a committee that you have appointed. The committee will select one or more recipients who best demonstrate consistently superior achievement inside and outside the classroom, including demonstrated leadership potential. An alternate recipient may also be selected who would receive a scholarship if the awardee fails to meet the requirements.

Your screening committee will be appointed by your board of directors for a one year term. Members will be selected from the X membership and staff. Scholarship recipients cannot be children of a current X director or staff member, employees of a director's business or the X, or members of the household of an X director or employee.

The scholarship may be used toward expenses of higher education (either college or technical school) and will be paid directly to the student once the recipient provides proof of registration with an institution of higher education. If you become aware that a student who received a scholarship fails to attend the institution of higher learning, you will ask for return of the scholarship funds. Scholarships are not renewable and are only available one time to each recipient.

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 diversions 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 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 also represent that you will maintain all records relating to individual grants including information obtained to evaluate grantees, identify a grantee is a disqualified person, establish the amount and purpose of each grant, and 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