

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

Department of the Treasury

Date: March 31, 2016

Employer Identification Number:

Number: **201626027**
Release Date: 6/24/2016

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= High School
C= University

w= Number
x 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(b)).

Description of your request

You are operating a scholarship program to graduates of B for higher education. You wish to honor achievements of qualified students and encourage their higher education, and to put a meaningful dent in their debt incurred for higher education. The scholarship will be awarded to reduce tuition in the first semester at a 2 year or 4 year college or university of technical/vocational school in the United States whose tuition and mandatory

fees charged to the student do not exceed those of the highest charged to in-state residents at C.

B promotes your scholarship program via a bulletin board located in the main hallway of its building. In addition, information about your scholarship program along with other scholarships is posted on B's website, and in its college and career database. Emails are also sent to students and parents regarding scholarship opportunities. Furthermore, B has made the application available electronically through a web page on its website.

In order to be eligible, applicants must:

- Be a senior at B and plan to attend college or trade school in the following fall semester which is described in Section 170(b)(1)(A)(ii).
- Have a cumulative GPA of 3.0 in grades 9-12 at the time of the application.

Students must also submit the completed application by the deadline to the guidance office at B. As part of the application, applicants must:

- Provide an explanation on why they need financial assistance.
- Explain their career goals, intended major in college and/or academic fields of interest.
- Provide a statement explaining how they are a well-rounded person.
- Provide a list of extracurricular activities as well as any honors and awards for any accomplishments.
- Attach a copy of their FAFSA (**Free Application for Federal Student Aid**) to their application.
- Arrange for two teachers to provide references to you.
- Arrange for the guidance office at B to provide you a copy of their transcript.

Your selection committee will consist of your founding trustee and family members who are graduates of B; the founding trustee may also invite others at her discretion to participate. Committee members of your selection committee must be interested and committed to reviewing and rating/prioritizing applications.

Relatives of the trustees, of substantial contributors and of members of the selection committee are not eligible for scholarships. There is no intent to favor scholarship applicants that are friends or neighbors of disqualified persons, although it is possible that members of the selection committee may be acquainted with a few of the applicants.

The committee will evaluate each applicant's academic performance, financial need, extracurricular activities, difficulties of family situation, career aspirations, SAT or ACT scores, and recommendations of teachers, coaches and guidance counselors of B.

In addition, when ranking applicants, the following criteria will be used when discussing and ranking applicants:

- To what extent will the student's higher education likely need to be financed with debt? (Your scholarships are aimed at persons who anticipate financing their education wholly or primarily with debt.)
- Is the student hard-working, as evidenced by the application, including references?
- Does the student have substantial extracurricular activities, whether in sports, an outside job, clubs or other activities?

The committee reserves the right to interview a small number of finalists before a final decision is made. The scholarship recipients will be announced at B's end-of-year awards ceremony. In addition, the recipient must not have accepted another full or partial scholarship grant at the time of the payment of the grant.

You intend to make payment directly to the schools as long as the grantee is enrolled, in good standing and not under academic or other probation. The school must agree to use the grant funds to defray the grantee's tuition only. Prior to distribution of the grant, you will require proof of enrollment. If a student drops out in the first semester, you will require that you will have priority in any refund. You will obtain an agreement from the student and his/her parents or guardian on this matter prior to paying the grant.

You will retain case histories and records pertaining to all scholarship grants.

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.

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