

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

Department of the Treasury

Date: October 12, 2016

Employer Identification Number:

Number: **201701024**
Release Date: 1/6/2017

Contact person - ID number:

Contact telephone number:

LEGEND

X = School
Y = City, State
Z = Individual
b dollars = dollar 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 mission is to provide financial incentives to high school graduates in financial need from low- to average-income military enlisted families who are continuing their education at colleges, universities, and/or vocational-technical colleges of their choice.

You offer an annual scholarship to a qualified student for their studies with the understanding that the applicant will remain in school and in good academic standing during the funding period.

The applicant must be a full-time senior high school student of X in Y and a son or daughter of active and/or retired enlisted military personnel. The applicant must exhibit proficiency in overall academics, with a minimum 3.5 GPA. The applicant shall also

possess excellent character, including work ethic, honesty, and integrity. Applicants must have the endorsement of their guidance counselor on their application attesting they are qualified for the scholarship program.

Your selection committee members shall initially consist of descendants of Z and their spouses. Relatives of your officers, directors or selection committee members will not be eligible to receive a grant.

Each year, you will award a scholarship to one applicant. The amount of the full scholarship will be a maximum of b dollars and may be used exclusively for tuition at a post-secondary educational institutions as described in Section 170(b)(1)(A)(ii) of the Code, provided the recipient continues to maintain their eligibility and enrollment.

Scholarship selection is based on academic achievement, character, demonstrated interest in the community, statement of goals, an essay, personal interview and letters of reference.

Once the scholarship is awarded, the recipient will submit to you his or her course schedule with the cost of the programs. You will submit payment directly to the institution and not to the student. It will be the responsibility of the student to submit all college information and any other requested information necessary to verify continued enrollment.

The college shall send an official transcript of grades and courses directly to you, each semester, before any amounts of scholarship monies are paid.

You will maintain case history records of grants, including the recipient's name, address, amount and purpose of the grant, manner of selection, a copy of the application and application materials, transcripts, and confirmation that no relationship exists with your officers, directors, selection committee members or donors.

Should you learn of a misuse of funds by the grant recipient, you will investigate the alleged misuse and confirm whether or not such misuse occurred. You will withhold the delivery of any additional funding pending the outcome of any investigation. If the alleged misuse of funds is confirmed, you will seek to recover the misused funds from the grant recipient and terminate the grant recipient's award.

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