

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

**Department of the Treasury**

**Date: November 22, 2016**

**Employer Identification Number:**

**Contact person - ID number:**

Number: **201707013**  
Release Date: 2/17/2017

**Contact telephone number:**

**LEGEND:**

B= scholarship  
c dollars= scholarship amount  
D= company

**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**

You will operate a program called B to provide scholarships, of c dollars, to high school seniors and continuing full-time students pursuing an undergraduate degree at a qualified institution of higher education. B will be available to high school seniors planning to attend college or current college students planning to return to college.

B is publicized in the following ways:

- displayed on the D website
- direct contact with approximately 80 local charitable organizations encouraging the organizations to make their student volunteers aware of the scholarship program

- direct contact with all high schools within the five counties making up your market area direct contact with colleges and universities in the state

The number of scholarships awarded is determined by dividing the annual budgeted amount by c dollars.

The applicant must be a member of D and be the primary account holder at the time of application. The applicant must be an incoming freshman or a continuing full-time student pursuing an undergraduate degree at a qualified institution of higher education. Scholarships are not available to graduate level students. The applicant must have a cumulative GPA of 3.0 or greater, and attend a fully accredited two-year or four-year college/university in the United States.

A panel of independent judges will evaluate each applicant on the basis of community involvement & academic performance, written essay, and an overall applicant assessment. Community involvement is evaluated based on the number of hours per week each applicant reports, and academic performance is based on GPA which is verified. Essays will be evaluated based on the applicant's use of details and examples, use of proper grammar, punctuation, spelling, etc., and the applicant's ability to demonstrate an understanding of the value and purpose of service work. The overall applicant assessment will be evaluated based on the applicant's demonstrated commitment to community service, leadership potential, and enthusiasm for making a positive impact on the community. In addition, the overall assessment will take into consideration the extent to which each candidate engages in challenging classes and/or activities.

Selection committee members are made up of prominent members of your community who are active in either local business, government, education, non-profit, health care, law enforcement, sports, law, military, or various other activities, and who are willing to devote a full day and evening to the candidate evaluation process. The applicant may not be an immediate family member of D Board of Directors, D Supervisory Committee, D Executive Management Team, the selection committee, or employee administering the scholarship program.

Each scholarship is a one-time award based on specific eligibility requirements and based on evaluations of a panel of judges. Students will be allowed to apply for future scholarships, but are not guaranteed an additional scholarship as there are no renewal options.

Awards will be paid directly to the school for the benefit of the recipient assuming the recipient is enrolled and in good standing. Awards will not be granted if the student fails to enroll or at the time of the award is no longer in good standing.

You will maintain case histories showing recipients of your scholarships, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You will (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 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 diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether 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.

#### **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