

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201726016**

Release Date: 6/30/217

Date: April 3, 2017

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B= county names

C = school

D = school

E = state

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

The purpose of the scholarship is to fund study at one or more primary or secondary schools and colleges, as well as trade schools, that have a regular faculty and an enrolled body of students in attendance and that qualify as educational institutions described in section 170(b)(1)(A)(ii) of the Internal Revenue Code of 1986 as amended ("section" and "the Code") in a manner that qualifies such scholarship funds under section 4945(g)(1) of the Code.

Solicitations of scholarship applicants will be made through high schools and junior high or middle schools, trade schools, community organizations, service clubs, churches and other charitable organizations.

Persons eligible to apply for the scholarships are those who are under the age of twenty-six and who meet one or more of the following criteria:

- A graduate or future graduate of a high school located in B counties, E, who shall be selected on the basis of: (1) Demonstrated scholastic ability; (2) Financial need.
- A resident of one of the B counties who has physical or mental disabilities (to assist such individual in academic or other training to prepare for work suitable to such individual's abilities);
- A resident of one of the B counties who, whether or not currently in school, is not succeeding in a traditional academic setting, but whose talents, abilities or interests indicate that such individual may thrive in a different learning environment.

Selection of scholarship recipients is to be made on the basis of criteria reasonably related to the purpose of the scholarship which includes, but is not limited to:

- Personal history
- Planned course of study
- History of extracurricular/community activities
- Financial need
- Prior academic performance and noteworthy achievements
- Recommendations from instructors, school administrators, counselors or other professionals with personal knowledge of the applicant
- Any conclusions that are drawn by your scholarship committees from a personal interview as to the individual's motivation, character, ability and potential

There will be at least two scholarship committees, with each committee selecting the scholarship recipients within a different scholarship category. Each scholarship committee shall consist of at least three (3) of the individuals described herein as selected by your Board of Directors:

- One member of your Board of Directors

- One person from the faculty of C
- One person from the faculty of D
- One independent businessperson
- One person from the creative or performing arts community
- One person from the disability community
- One person from a trade school

Scholarship funds will be issued directly to the recipient. To determine how the funds were used, you will require the recipient to submit a report of their courses and grades for each academic period covered by the scholarship, their progress for the year, career goals, career related activities, and any other information related to the recipient's use of funds. Upon completion of a recipient's course of study at an educational institution, a final report shall be furnished by the recipient.

Reports provided by the recipients shall be reviewed upon receipt by your officers or directors for compliance with the terms and conditions of the scholarship. The purpose of such review is to determine whether your purposes are being or have been fulfilled, and to examine any questions requiring further scrutiny or examination. Should the reports submitted to you or other information, including the failure to submit reports after a reasonable time has elapsed from their due date, indicate that all or any part of funds are not being used for said purposes, you shall commence a thorough investigation into the matter. During the period of this investigation, any future payments not yet disbursed will be withheld until it has been determined that no part of the scholarship has been used for improper purposes or until any delinquent reports have been submitted. No renewal of a scholarship shall be made to the individual involved during the pendency of an investigation.

If you determine any funding has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted scholarship funds or to ensure the restoration of diverted scholarship moneys and the dedication of other scholarship moneys held by the recipient to the purposes as herein set forth. The steps will include legal action unless such action would in all probability not result in the satisfaction of execution on a judgment. If you determine any part of the scholarship has been used for improper purposes, and the recipient has not previously diverted funds to any use not in furtherance of a purpose specified herein, you shall withhold any future payments on the particular scholarship involved until:

- You have received the recipient's assurances that future diversions will not occur

- Any delinquent reports have been submitted
- You have required the recipient to take extraordinary precautions to prevent future diversions from occurring

Renewal of the original scholarship is made by the submission of an application by the original recipient. Any such renewal shall be at the discretion of the scholarship committee and shall take into consideration selection criteria previously provided. In no event shall any scholarship be renewed for a period of time greater than that period of time normally required to complete the advanced education sought. Such total period of time shall be initially stated upon the application and the scholarship committee shall be notified of any change in the estimated completion time that was originally stated.

You shall retain all records of the application for scholarships, the evaluation of the qualifications and potential recipients, identification of the recipients, the amount and purpose of each scholarship, all required reports, any renewal applications, any investigations reports and results thereof, and all other information relating to any of the transactions required by the operation of the procedures herein set forth.

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