

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

Department of the Treasury

Number: **201418062**
Release Date: 5/2/2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: 2/5/2014

UIL:
4945.04-04

LEGEND

B = Program Name
C = Individual Name
D = Website
E = Names of High Schools
F = Geographical Name
m = Quantity
n = Quantity
w = Quantity
x = Quantity
y dollars= Amount
z dollars= Amount

Dear :

You received advance approval for your grant making program on October 29, 2007; under this program you made qualifying distributions under both Sections 4945(g)(1) and 4945(g)(3). You are expanding your grant-making program and are now requesting advance approval of your revised grant making procedures. This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We have determined your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). We also determined your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, awards meeting the requirements of Code Section 4945(g)(1) which are 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 that you will operate B, which is designed to provide students with extensive academic support, mentoring, summer internships, cultural and community service activities. Your ultimate goal is for all students participating in B go to college, graduate, and become successful citizens who will give back to the community. Under B, you are making distributions under both Sections 4945(g)(1) and 4945(g)(3).

As part of B, you are providing scholarships to students in the geographical area of F to attend selected private high schools, which consist of E. The number of awards per year is x per selected high school and are up to y dollars. However, the number and dollar amount may increase in the future. In addition, tuition will be partially paid for by the student's family based on a sliding scale. Any scholarship award will also be made directly to the high school.

To be eligible for a scholarship to one of the selected high schools, an eighth grade student with a minimum cumulative GPA of 3.0 (extenuating circumstances will be considered) must apply and be accepted by one of the participating high schools. Each applicant must come from a household with demonstrated and documented financial need, and the student's family must apply for financial aid through one of two national organizations that evaluate financial need for schools across the country. Family members of your employees, officers and directors will not be eligible for the grant program.

To apply for this scholarship, the student must first apply to one of the selected high schools and submit a detailed on line application with one recommendation. The student must be nominated to you by the principal or a counselor from the student's elementary/middle school or from a referring social service agency, which knows the student. Additionally, partner schools may identify potential scholarship recipients from their pool of applicants and refer them to you.

Your program director, C screens the applications and selects finalists. A committee consisting of C and an education specialist on your staff, as well as a representative of the partner school will interview the finalists and the student's parents or guardians to explain to them the academic nature of the program, the expectation of family commitment to all aspects of the program, and to look for leadership potential and a strong motivation from the applicant to excel academically.

In addition, you will provide grants to the participants in B for the following:

- a) College Tours: All students selected for B will attend prospective college tours of colleges as a group. Only students who have the academic grades and qualifications demanded by the prospective college will be attending the tour. Tour expenses will be transportation expenses, hotels, and meals.
- b) Events/luncheons: All students are required to attend these events as an introduction to the correct social skills necessary for their future success in such a

social setting. They will commingle with upper class students and be provided with presentations by community leaders.

- c) Trips to the theater, ballet, opera, symphony, and museum exhibits are required.
- d) Summer Internship programs: All B students are required to participate in an educational program with local businesses to expose them to the field of interest they are pursuing in the development of their career. Each student must volunteer a total of 100 hours of service in a six-week period to the business. The business will provide exposure and education in that particular work. Upon completion of the internship program, each student must submit a report describing his or her experience in the internship program. The student may receive an honorarium from the business if it is in the private sector or you would fund the honorarium if it were in the non-profit sector. The bulk of the honorarium would be placed in an individual custodial account to be used for post secondary education expenses.
- e) Medical expenses: Students in B may receive assistance in obtaining medical or psychological care. The following are two examples of expenses that could be funded: a student might find out that he or she needs glasses and his or her family is unable to pay for them, or a student might need special testing to determine if there is a medical issue (including mental illness) that is preventing the student from succeeding in school.
- f) Tutoring services and various types of counseling on an as-needed basis, including college counseling and job counseling.
- g) Reading assessment and remediation as needed.
- h) Formalized test preparation, which will be provided through a contract provider.

The scholarships are renewable as long as the student participates successfully in the program. Successful participation in the high school program would be for each student to:

- Maintain a minimum 3.00 un-weighted GPA throughout high school while taking as many challenging courses as possible;
- Complete your community service projects and embrace the value of "paying it forward";
- Be a model student and citizen at all times in word, action, and deed. If mistakes are made, learn from them, be accountable and accept the consequences gracefully;
- Attend all cultural events, meetings, etc.;
- Participate in an educational program or summer internship for three summers;
- Participate in multiple extra-curricular activities at the high school and in the community;
- Demonstrate a positive "risk-taker" attitude by being open to new experiences and participating enthusiastically in all programs;
- Be open to the college process especially in regard to applying to colleges outside of your state;
- Enthusiastically participate in the college process, meeting all criteria and deadlines;
- Graduate from high school after four years of good standing with you;

- Matriculate to a four-year college, community college, training program or military service;

Students receiving high school scholarships may also receive supplemental funds to offset the costs of high school-related expenses and to maximize their educational development, including books, uniforms, computers, school sponsored retreats and other school-sponsored activities, nutrition education, standardized testing costs, and college application fees. To the greatest extent possible, all funds for such expenses will be given to the participating school, and the school will distribute funds as needed for each student. However, for those schools now requiring iPads and the use of text books in digital format (e.g., e-books), students will be issued individual debit cards, which can only be used at the your office or at the student's school to order his/her required books and applications. If a student leaves mid-year, any remaining funds will be used toward new student fees for the following year.

From time to time, students will participate in essay or other contests with awards in the range of z dollars. Essay contests are utilized to achieve varied goals, such as encouraging the students to practice their writing skills, exposing them to cultural events and providing awareness of your history and other students' tragedies and triumphs. Announcements about the contests are generally made at family meetings and in emails, at which point your staff provides essay contest details.

Students who successfully participate in B's high school scholarship program and seek further schooling may receive scholarships to post-secondary institutions if there is demonstrated financial need. Need is determined after the post-secondary institution financial aid package is finalized and the student has exhausted all financial appeals to the post-secondary institution. These scholarships will only be given after (i) reviewing the financial aid "package" offered by the student's selected university/institution, (ii) reviewing the student's financial situation with the university/institution's financial aid office, and (iii) you determining that the financial aid package is insufficient because it requires the student to take out extraordinarily high loans, to work excessive amounts, or special circumstances which were not considered by the university/institution's financial aid office. Decisions on awarding such scholarships will be made on a case-by-case basis by C in consultation with your education director and other individuals, and will be reviewed on an annual basis taking into consideration the student's academic progress.

In the instances in which students have received post-secondary funding, the students must sign a contract, agreeing to adhere to certain terms including confidentiality, maintaining a minimum GPA and keeping in touch regularly with you.

You expect that the maximum individual scholarship for a student to attend a post-secondary institution, including tuition and school related expenses to be given for a single year is y dollars, however this may increase in the future. In most circumstances, you will make the scholarship award directly to the post-secondary institution, as long as it will not reduce a student's existing scholarship and grant package. Recently, however, a number of schools have changed their policy such that they will reduce a student's

existing scholarship grants by the amount of any outside scholarships, thereby nullifying your goal of reducing the student's financial burden. Therefore, in these cases, the scholarship award would be made to the student, and you would require the student to provide a receipt showing the scholarship award was used to pay for tuition.

Moreover, you will assist students who attend post-secondary institutions by offering supplemental funds to offset the costs of expenses associated with such additional schooling and to maximize the student's educational development. These supplemental funds would be used to pay for supplies (including books and computers), school-sponsored retreats and other school-sponsored activities, standardized testing costs, room and board, travel, clothing, and pocket money for living expenses. To the greatest extent possible, any supplemental funds awarded would be paid directly to the post-secondary institution as long as the institution does not reduce the student's existing scholarship and grant package. Otherwise, the award would be made to the student, and you would require the student to provide a receipt showing the grant was used to pay for the particular expense associated with the award.

The distributions that qualify under Section 4945(g)(1) include: tuition for both high and college, school fees, uniforms, standardized test fees, college application fees, and school supplies. The distributions that qualify under Section 4945(g)(3) include grants for college tours, holiday events/luncheons, summer internship programs, medical expenses, tutoring services, various types of counseling, medical expenses, reading assessment and remediation, and formalized test preparation.

Case histories will be maintained for each participant including name, address, amount of each grant, manner of selection and progress throughout high school and any further schooling.

You will require receipts showing the use of funds, and additional reports on the use of funds and the student's progress towards finishing his or her schooling.

In monitoring the students, if your staff were to discover an academic or behavior problem, they would discuss it with the student and, if necessary meet with the school counselor or the parent/guardian to decide on a plan of action. If you find that any portion of a grant was used for an improper purpose, you will stop all future payments and take all reasonable steps to recover the funds that were improperly used.

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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c) (1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations