

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

**Department of the Treasury**

Number: 201447048  
Release Date: 11/21/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Date: August 28, 2014**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

V= High School Name  
W= Geographic Location  
x= Number Range  
y= Number Range  
z dollars= Amount Range

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g) on August 20, 2013. 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 will not 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 purpose is to enhance access to higher education by providing scholarships to graduates of V in W, who will be or are attending a college or university.

The number of scholarships distributed will vary depending on the amount of funds available. You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942. It is estimated

that x individuals are eligible to apply for the scholarship annually and you will award y scholarships. The amount of each award is generally z dollars.

Scholarships are advertised by posting the scholarship information in the school's counselors office.

To be eligible for a scholarship, students must be graduates of V, demonstrate financial need, and plan to attend a college or university. Financial need is determined through a financial statement of all assets and liabilities from the student and their parents. Need is determined if the financial statement proves the family does not have sufficient resources available for school.

Your selection committee consists of the principal of V, a teacher at V selected by the principal, and one other person selected by the principal who is either a parent of a V student, or who is a person who is not employed by V or the school district. If a member of the committee needs to be replaced, the principal will appoint a new member.

Each year you advise the scholarship selection committee of the amount of funds available for scholarships. The members of your selection committee will review the scholarship applications and rank the applicants based most importantly on financial need - as well as leadership skills - and a resume they are required to provide. The scholarship selection committee reviews the applicants and makes a recommendation to you regarding the individuals selected. You make the final determination as to the amount awarded. The award is made on a one-time basis and is not renewable.

You pay the scholarship proceeds directly to the school that the recipient attends. You provide a letter to each school specifying that the school's acceptance of the funds constitutes the school's agreement to refund any unused portion of the scholarship if the recipient fails to meet any term or condition of the scholarship. The school also agrees to notify you if the scholarship recipients fail to meet any term or condition of the scholarship.

If the school will not agree to such terms, they are to return the check and you will obtain proof of enrollment and a grade transcript from the student. You will do this by sending a grant letter to the student and have them sign to acknowledge individual expenditure responsibility before any check is mailed to the student. If the student does not sign the agreement and provide proof of enrollment and grade transcripts, they will not receive the scholarship.

You arrange to receive and review grantee reports annually and upon completion of the purpose for which the scholarship was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds, ensure other scholarship funds held by a recipient are used for their intended purposes, and withhold further payments to recipients until you obtain assurances that future diversions will not occur and that the recipient will take extraordinary precautions to prevent future diversions.

You 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 awarded.

### **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**

- The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request. The effective date of our approval is August 20, 2013, which is the date your request was submitted.
- 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,

Director, Exempt Organizations