

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201432023**
Release Date: 8/8/2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: May 14, 2014

LEGEND:

B= college
C= city/state
e= dollar amount
X= foundation
Y= alternate foundation name
Z= college department

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.

This letter supersedes our letter issued to you on February 10, 2014.

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 X, doing business as Y, awards scholarships to students majoring in a program in the Z at B located in C and who are enrolled in or completed a course with a service-learning, co-op, or internship component. You will award up to two scholarships in the

amount of \$e dollars annually to be applied to each recipient's tuition, fees, or other related college expenses in the following academic year.

The Z at B publicizes the availability of the scholarships and eligible students will submit an application and other required documentation to Z. To be eligible for a scholarship, an applicant must be enrolled full time (minimum of 12 credits) at B and majoring in a program in Z, have completed at least 12 credits at B, have at least a 2.0 grade point average, return to B after the award is made, and be enrolled in or completed a course with a service learning, co-op, or internship component during the academic year in which the application for the scholarship is made. Applicants must submit a one-page typed essay on the topic of service learning and/or community service and submit one letter of recommendation from the site which hosted their service learning, co-op, or internship or from a faculty member.

Preference is given to students who plan to enter a career in the broad field of social services, and applicants are asked to elaborate on their plans for such a career. Recipients are selected by the Z at B based on the above criteria and in accordance with policies and procedures established by B regarding the selection of all scholarship recipients. B policies require that recipients be selected on a nondiscriminatory basis.

B notifies Y regarding the students selected to receive the scholarships and provides Y with information regarding each recipient. This information is reviewed by your Program Development and Education Committee to confirm that each student selected by B to receive a scholarship satisfies your criteria for the scholarship. You are invited to attend B's Honors Convocation held in May of each year to present the scholarships to the recipients. The actual funds for the scholarship are paid by you directly to B and credited to the student's account for use towards tuition, fees, and related educational expenses in the academic year immediately following the award of the scholarship. The scholarships are a one-time grant for each recipient and not renewable.

Scholarships are overseen by your Program Development and Education Committee. This committee was established by your board of directors and is a standing committee of the board of directors. The Committee consists of approximately half of the members of your board of directors with a variety of backgrounds in business, education and behavioral health. In addition, your executive director, associate director and senior consultant for program development and education, serve as ex-officio, non-voting members of the Committee.

The Committee is responsible for developing the process and procedures for your scholarship activity and the criteria and application forms, and for periodically reviewing and updating such processes, criteria, and forms. The Committee receives and reviews the information received from B regarding recipients selected by Z to insure that each recipient meets the criteria for the scholarship and to insure that the recipient is not related to a disqualified person of you. The Committee is responsible for recommending potential recipients to your full board for approval.

You represent that relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

You represent that 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. If a recipient of the scholarship does not return to B the next academic year following receipt of the scholarship, the funds are returned to you.

You further represent that 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.

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,

Director, Exempt Organizations