

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201508017**
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Employer Identification Number:**Contact person - ID number:****Date: 11/25/2014****Contact telephone number:****LEGEND****UIL: 4945.04-04**

X= name of county
Y= state

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 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

You provide scholarships to deserving and needy students who are residents of X, in the State of Y, attending a junior college or a state college or a branch of the University of Y located in X. Currently two universities meet the requirements.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. 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. You advertise this scholarship on the scholarship section of the school's website.

Each year your trustees advise the selection committee of the amount of funds available to be awarded as scholarships. The members of the selection committee review the scholarship applications and rank the applicants based on grade-point-average (GPA) and financial need. The Scholarship Advisory Committee then submits its recommendations to the trustee which makes the final selection. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code Section 4946. Your scholarships are non-renewable.

You pay the scholarship proceeds directly to the university or college the recipient attends for the benefit of the recipient. You provide a letter to each university or college specifying that the university or college's acceptance of the funds constitutes the university's or college's agreement to refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship and notify you if the scholarship recipient fails to meet any term or condition of the scholarship. If the university or school will not agree to such terms you will obtain the needed reports and grade transcripts from the scholarship recipient.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, you will investigate diversions of funds from their intended purposes. You will take all reasonable and appropriate steps to recover diverted funds.

You also represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees. You will 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,

Director, Exempt Organizations