

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: January 16, 2015

LEGEND

UIL: 4945.04-04

B= School District
C= Essay theme
D= Essay theme
E= Essay theme
W= High School
Z= Attorney
x= dollar range

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

Your letter indicates that you will operate a scholarship program. Your purpose is to provide scholarships to graduating students of W.

The scholarships are listed on B's website. The purpose of the scholarships are to honor students who have participated in efforts to further the cause of world peace, helped to promote non-violence as a way of life and moral imperative, and worked to find alternatives to war and violence, both at home and abroad. Applicants are required to have a GPA of 2.0 or higher. Special consideration is given to students with an interest in music and students who demonstrate financial need and are not likely to receive grants or scholarships from other sources. Scholarships are renewable if the applicant remains a full time student at a college or university and maintains a 2.0 grade point average.

Seniors from W are required to submit an application which requests the following information:

- Full name, address, city, state, and zip, along with phone number and birth date;
- Father's (guardian's) name and occupation;
- Mother's (guardian's) name, and occupation;
- Number of people in their family;
- Family's annual gross income before taxes;
- Number of people in the family who will be in college or trade school the following year;
- Type of school or college is the applicant planning to attend (i.e. community college, trade/technical school, 4-year college or university);
- The top 4 schools have they applied to or would like to attend; and
- The majors or career(s) they are considering.

In addition, applicants are to write an essay of approximately 500 words addressing one or more of the following themes:

- C
- D
- E

Alternately, applicants can submit original works in other media exploring the themes listed above, e.g. graphic or performance art, poetry, music, videos, etc. Submissions in other media may be included with a written essay or by themselves.

The current members of the Selection Committee are the Superintendent of Schools of the B, one senior counselor of the senior class of W, and attorney Z. In the event that one member of the selection committee cannot serve, the remaining two shall select an alternate to serve. The committee meets at least once a year and selects a W senior or seniors to receive the benefits of the scholarship.

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. Each year, you will advise the Selection Committee of the amount of funds available to be awarded as scholarships. The Selection Committee reviews and ranks the applications

and submits its selections to you, which includes the amount that should be awarded to each applicant. You generally award one to five scholarships a year that range from \$x.

You annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942.

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.

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

You will also (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.

You will maintain case histories showing recipients of your scholarships, including names, addresses, purposes of awards, amount of each scholarship, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you. You will maintain such information and documentation until the applicable statute of limitations period expires.

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