

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:

Date: 2/6/2015

Contact telephone number:

LEGEND

UIL 4945.04-04

X= Company
Y= City
Z= City
b= Number
c dollars= Amount

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 provided in Code section 117(b)).

Description of your request

You are operating a scholarship program for high achieving high school students in the Y and Z area to pursue educational and vocational opportunities after high school. You are a nonprofit organization founded by the owners of X. Your purpose is to provide college scholarships, mentoring and career growth opportunities to college-bound students who have demonstrated a commitment to academics, leadership development, and community service. You will focus on high achieving high school students who have limited means to pursue educational and vocational opportunities after high school. Applicants must have a cumulative GPA of b, live in the Y or Z area and plan to attend a

post-secondary institution to be eligible to apply. The scholarships will be awarded on an objective and nondiscriminatory basis and to be used at an educational organization described in IRC Section 170(b)(1)(A)(ii). Relatives of members of your selection committee, or your officers, directors, and substantial contributors are not eligible for the awards.

Recipients are eligible to receive up to c dollars per year, based on their financial need. Financial need is determined from the financial aid package from the selected college, total grants and scholarships received in addition to yours and the expected family contribution. The number of grants could vary each year. The scholarships are renewable up to four years.

Your program is publicized via word of mouth, internal communications, and the internet and as well as through the schools in the Y and Z area. Every spring, your cofounders have direct conversations with the guidance counselors to discuss the criteria that should be met by each student applicant. The guidance counselors then distribute the information and applications directly to the students meeting these criteria.

Applicants complete a detailed application. Applicants also must submit transcripts as well as provide their parents taxable income from their Federal 1040 Income Tax Form to help determine financial need. An essay is required explaining the following:

- What does a college education mean to the applicant?
- What makes the applicant a good candidate for the scholarship?
- A description of a time in the applicant's life when the applicant faced a challenge or obstacle and how it was handled.
- An explanation of the applicant's life choices and experiences that shaped the applicant into the person he/she is today.

Completed application packages are mailed directly to you. The scholarship selection committee consisting of your board members and directors will select recipients based on the applicant's academic performance, (Scholarships are granted to high performing students.), extracurricular activities, financial need (Scholarships are granted to high school students with financial need.), the students living location (Scholarships are only granted to students living in the Y and Z areas.) as well as teacher recommendations.

Checks are sent directly to the student's financial aid office where they are deposited into student accounts and are to be used for tuition, and other academic related expenses. You also will obtain grade transcripts each semester from all recipients. In order for renewal the award, recipients must (i) maintain a cumulative GPA of b throughout the duration of the scholarship; (ii) remain an active, full-time student throughout the duration of the scholarship; (iii) complete a quality, monthly blog post which are monitored on a consistent basis and (iv) remain in consistent contact with your board.

If the terms are violated, the recipients continued involvement in the program will be discussed among board members and future funding could be withheld.

Recipients will have the opportunity to gain real world experience through internships, job shadows and other career growth opportunities at X but are not required to participate in any of these opportunities in order to receive or renew the scholarships.

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 may report any significant changes to your program by completing Form 8940 and sending it 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