

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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LEGEND

X = Name of scholarship program
Y = Name of apprenticeship program
Z = Name of city and surrounding area
b dollars = Amount of scholarship
c = Number of scholarships
d = Number of program participants
e = Number of years in the program
f = Length of essay

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(c)).

Description of your request

Your letter indicates you will operate a scholarship program called X. Your purpose is to take part in charitable giving and provide scholarships. As part of your activities, you run a program called Y, which supports apprenticeships at a variety of charitable organizations throughout Z. These apprenticeship opportunities are open to teenagers

from low- to moderate-income neighborhoods in Z. These apprenticeships offer meaningful work opportunities, including teaching science and technology, organizing community service projects, and convening youth summits. The Y program participants receive training in leadership, mentoring, academic success, professionalism, and civic engagement. The number of teenagers who annually participate in the program is approximately d. The participants are selected for the apprenticeship by the participating charitable organizations and other knowledgeable organizations.

You will provide merit-based scholarships to students participating in the Y program. The scholarships are granted in the amount of b dollars each. The actual number of scholarships will be determined annually. Currently, the number of scholarships you anticipate granting up to each year is c.

You advertise the scholarships to the participants in the apprenticeship program and to the organizations offering the apprenticeships.

Those eligible to apply must meet the following criteria:

- a. Must have participated in Y program for at least e years;
- b. Must be graduating from a high school in the area of Z; and
- c. Must be pursuing higher education.

Scholarship applicants must supply and will be evaluated in accordance with the following criteria:

- a. An official high school transcript;
- b. A letter of recommendation from a teacher;
- c. A letter of recommendation from the supervisor at the applicant's Y program that describes the applicant's work ethic and leadership record as well as his personal and character traits;
- d. The applicant's work site evaluations from the Y program; and
- e. An essay of length f on a given topic.

Financial data is not requested as all participants in the Y program are lower income.

The Y program manager oversees the scholarship selection process. The Selection Committee will review the applications to determine how well the applicant represented himself, and demonstrated commitment to his future, personal development, level of initiative, and perseverance.

The Selection Committee will not discriminate on the basis of race, gender, ethnicity, or religion. The Selection Committee may take into account the accomplishments or potential of applicants who have overcome significant obstacles, including economic or family circumstances or discriminatory practices that might impede their ability to continue their education.

The Selection Committee is selected annually. It is composed of individuals who are knowledgeable about scholarship procedures and criteria. Members of the Selection Committee may include your trustee's employees and individuals who are leaders of nonprofits or businesses with youth and/or educational expertise.

The recommendations of the Selection Committee are then reviewed by your trustee's Trust Administrative Committee to ensure the proposed recipients satisfy the selection criteria and have been selected on an objective and nondiscriminatory basis.

No relatives of the Selection Committee members are eligible for the scholarships nor may any employees or relatives of employees of your trustee receive these scholarships. No disqualified persons may benefit from the scholarships.

The scholarship is currently nonrenewable. However, you may determine in the future to provide multi-year scholarships.

You will notify successful applicants of the scholarship award by letter. Prior to distributing any funds to the recipient's academic institution, you will require the institution to confirm that the recipient has been accepted for admission.

You will make the payments directly to the financial aid office at each applicable post-secondary academic institution. A letter is sent with guidelines for applying the scholarship to cover tuition and other fees. The financial aid office is requested to return an acknowledgement receipt of the check.

You will keep the following records:

- a. Scholarship applications;
- b. The name, address and other contact information for each selected scholarship recipient;
- c. Any information on relationships that would cause a scholarship applicant or recipient to be a disqualified person;
- d. All amounts disbursed to each recipient;
- e. The identified goals and purposes for which each amount is awarded;
- f. A copy of each acknowledgement from the recipient's academic institution;
- g. If required, the admission confirmation from the academic institution; and
- h. Any measures taken to investigate the misuse of grant funds or to enforce grant terms.

You will initiate an investigation of misuse of funds if:

- a. A recipient or the recipient's academic institution fails to provide admission confirmation within a reasonable time;
- b. A recipient is not in good-standing at the academic institution; or

- c. You have been notified that the recipient has applied the scholarship funds for a purpose other than the support of educational expenses.

You will withhold further payments until you have (as applicable):

- a. Received all reports;
- b. Received assurances that the recipient will make every effort to satisfy all requirements of the scholarship program; and/or
- c. Determined that no part of your awarded funds have been used for improper purposes.

If you determine that a recipient has not fulfilled the conditions of receiving the scholarship, you will suspend additional scholarship payments (if any) to the recipient. If you receive any delinquent report and receives sufficient assurances from the recipient that all conditions will be satisfied in the future, you may in your discretion make further payments to a recipient if the recipient demonstrates to your satisfaction that the he or she will take extraordinary precautions to continue to satisfy the conditions of the scholarship.

If you determine that any scholarship funds have been used for improper purposes, you will suspend future scholarship payments to the recipient. You will also take all reasonable and appropriate steps to recover the improperly expended funds and ensure that any other funds disbursed to the recipient are used exclusively for the purposes set forth in the applicable scholarship agreement. If you recover any misused funds, receive any delinquent report, and receive sufficient assurances from the recipient that future improper diversions will not occur, you may, in your discretion, make further payments to the recipient if you determine that to do so would further your charitable purposes.

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