

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

Department of the Treasury

Date: September 30, 2016

Employer Identification Number:

Number: **201652027**

Contact person - ID number:

Release Date: 12/23/2016

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Scholarship

Y= Location

Z= City, 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 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 you will operate a scholarship program called X.

Your purpose is to help students pursue an education at a private, public, religious, quasi-religious or secular school, with such funds to be paid out directly to needy recipients and/or schools and/or to be distributed through other existing charitable, educational, religious and benevolent institutions and/or to be provided to establish other private, public, religious, quasi-religious or secular schools.

The purpose of X is to assist deserving students and their families with paying part or all of the costs associated with pursuing a kindergarten through high school, college, or graduate level education at a private, public, religious, quasi-religious or secular school by awarding scholarships to eligible scholarship recipients.

Eligible scholarship recipients will be selected on an objective and nondiscriminatory basis. Geographically, it is anticipated that applicants for scholarships who satisfy the criteria for the award of a scholarship will be from families who reside in Y, however, eligible scholarship recipients and/or their families may reside anywhere in the United States. The availability of the scholarships will be made know to the general public by way of the foundation trustees' written and verbal communications to (i) members of religious, educational and social organizations which the foundation's trustees are, or have been in the past, affiliated with, and (ii) educational institutions located in the Z area that are known to the foundation's trustees as providing an excellent educational value at a cost that otherwise could be prohibitive to otherwise deserving students unless financial assistance was made available to such students.

No foundation scholarship shall be awarded to: (i) any trustee of the foundation or any immediate family member of any trustee of the foundation, (ii) any member of any scholarship selection committee established by the trustees of the foundation or any immediate family member of any member of the scholarship selection committee, or (iii) any person who has made a substantial contribution to the foundation, or any immediate family member of such person (an "ineligible recipient"). Each trustee of the foundation and each person serving on the scholarship selection committee shall be obligated to disclose to the trustees of the foundation that a particular applicant may be an ineligible recipient. Upon such disclosure or in the event of the discovery that a particular applicant is potentially an ineligible recipient, then in the judgment of the uninterested trustees of the foundation then serving, or in the judgment of the uninterested scholarship selection committee members then serving, as the case may be, a determination will be made as to whether the applicant in question is in fact an ineligible recipient and in such case the particular applicant will be informed that they are not eligible for a scholarship and no scholarship will be awarded to such applicant.

Eligible scholarship recipients will be selected on the basis of a personal interview of an applicant for a scholarship. Interviews will be conducted by the trustees of the foundation or, if and when the same may from time to time be established by the trustees, a scholarship selection committee appointed by the trustees. Interviews may be conducted by one or more members of the selection committee however the decision to select a particular applicant for a scholarship will only be made after consideration of the results of the interview or interviews by all members of the selection committee. In the case of pre-school and elementary school age children, only the applicant's parent(s) and/or guardian(s) may be interviewed. The purpose of the interview(s) will be to assess (i) the financial need of the applicant and/or his or her family, (ii) the educational goals and objectives of the applicant, (iii) the suitability of the particular educational institution that the applicant desires to attend (both as to affordability taking into account the applicant's and the applicant's family's financial circumstances and the likelihood that the

educational institution selected by the applicant will enable the applicant to achieve the applicant's educational goals and objectives), and, lastly, (iv) the amount of financial assistance that may be needed by the applicant and the applicant's family in order to allow the applicant to achieve the applicant's educational goals and objectives.

Foundation scholarships may only be used for study at an educational organization described in Internal Revenue Code 170(b)(1)(A)(ii). Scholarships may only be used for qualified tuition and related expenses at such educational organizations within the meaning of Internal Revenue Code Section 117(b)(2), and for room and board; that is scholarship grants may only be used for: (1) tuition and fees required for the enrollment or attendance of a scholarship recipient at a qualifying educational institution; (2) fees, books, supplies, and equipment for required for courses of instruction at such educational institution; and (3) room and board. Scholarships may not be used as payment for teaching, research, or other services by the scholarship recipient as a condition for receiving the scholarship.

Each scholarship awarded by the foundation shall be paid directly to the educational institution which the scholarship recipient will be attending. The foundation's payment of a recipient's scholarship award shall be made to the educational institution that the recipient will be attending on the condition that the educational institution confirm that the scholarship award will only be used for the purpose of paying part or all of the scholarship recipient's tuition, room and board and/or other costs directly related to the recipients attendance at said educational institution. Scholarship awards may be paid annually, by semester, or for such other period as may be appropriate for the educational institution being attended by the recipient of a scholarship.

Recipients of scholarships or their parent(s) and/or guardian(s) shall be required to submit a progress report to the foundation trustees following the academic period for which a scholarship award was made in order to determine whether the educational goals and objectives of the scholarship recipient discussed at the time of application are being satisfactorily achieved. If a scholarship recipient's progress report is satisfactory, and the scholarship recipient continues to meet the criteria for selection, the foundation may choose to make an additional scholarship award for an additional year, or semester, or other appropriate period.

If at any time the foundation trustees become aware that any part or all of a scholarship award is not being used in accordance with the purposes of the scholarship award, it shall take reasonable steps to recover the scholarship award funds and/or to ensure that the situation is corrected. No further scholarship awards will be made to the scholarship recipient in question if the problem cannot be corrected to the satisfaction of the foundation trustees.

The foundation shall maintain records in connection with all scholarships awarded that shall include the information obtained by the scholarship committee to evaluate the scholarship recipient's qualifications, the purpose and amount of each scholarship award,

the educational institution to which it was paid and any progress reports submitted to the foundation by the scholarship recipient.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements