

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

Department of the Treasury

Number: **202122016**
Release Date: 6/4/2021

Employer Identification Number:

Date: March 11, 2021

Contact person - ID number:

Contact telephone number:

LEGEND:
B= school 1
C= school 2
D= school 3
E= school 4
F= school 5
G= county
z dollars = amount

UIL:
4945.04-04

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

You will operate a scholarship program to encourage and provide access to education for high school students looking to further their formal education but in need of financial assistance. The program will be publicized through each participating high schools' website, guidance departments and printed flyers.

To be eligible, students must:

- Plan to attend a post-secondary educational institute located in the United States on a full-time basis; including two and four-year colleges, trade, vocational, and certificate granting programs
- Have graduated or will be graduating from one of the following five participating high schools: B, C, D, E and F

None of your officers, directors, substantial contributors, selection committee members, their children and other close relatives of such persons are eligible for grants made under your program.

Students must submit the following to apply:

- Complete application
- Essay describing their educational goals and future plans
- Résumé
- Transcript
- Three letters of recommendation

The selection committee will base their decision on the following criteria:

- Grade Point Average (GPA)
- Extracurricular activities
- Essay explaining educational goals and reasons the applicant is a good candidate for scholarship support
- Evidence of positive character traits and a strong work ethic, as shown by outside commitments such as employment, dedication to his or her community through volunteering in civic activities and meeting other communal responsibilities
- Financial need, as evidenced by the Expected Family Contribution reported on the applicant's Free Application for Federal Student Aid ("FAFSA") form
- Potential interview by one or more members of the selection committee

There will be no discrimination based on race, national origin, religion, sexual orientation, or gender. Prior to awarding a grant, you will compare the name of each potential recipient to the names of known terrorists in accordance with the Patriot Act of 2001. You will not make a grant to an individual if doing so would violate this Act or Executive Order 13224. You will check the name of each applicant against a consolidated terror watch list using software that aggregates numerous continually updated terror and watch lists, including the Specially Designated Nationals and Blocked Persons database maintained by the Office of Foreign Assets Control (OFAC).

Your selection committee will be composed of a four-member subset of the G Board of Cooperative Educational Services; consisting of one principal, one assistant principal, and two guidance counselors. The BOCES is part of a state-wide system linking local

schools and the State Education Department together for educational and support services to public education agencies throughout the state.

The selection committee will make its selections by applying criteria you provide and will utilize an unbiased and time-tested point system. Your board, in its sole discretion, may add or remove members of the selection committee and will replace them upon their resignation, removal, or inability to serve. New members will be individuals who are determined by your board to possess the requisite knowledge, experience, commitment, and abilities to serve.

You will maintain detailed case histories for your program by retaining copies of all applications and supporting documentation submitted for consideration. This will include the following:

- Record of the names and addresses of the applicants selected and the amount each received
- Record of the information relied upon by the selection committee to determine eligibility and select grant recipients
- Annual reports and transcripts submitted by grant recipients and educational institutions
- Results of your comparison of the grant recipient's name to watch lists of known terrorists
- Confirmation that the applicant bears no relationship to your officers, directors, selection committee members, or substantial contributors

Records are expected to be maintained for a period of at least four years after the date of the last payment made to the recipient. Periodic reviews will be made to evaluate the effectiveness of your program.

New grants are anticipated to be awarded each year; one to an applicant from each of the five participating schools. The number and amounts may increase year-to-year as resources allow; but expect to be at or around z dollars. You will renew all previously awarded grants each year until each grant has been renewed for the maximum of four years total. This is contingent upon each recipient's continued enrollment and good standing at their chosen educational institution. The student will be required to submit a written request to renew the scholarship each year. If a recipient fails to remain in good standing with his or her educational institution, your board may accommodate the recipient if it is the result of extenuating circumstances (for example, a temporary withdrawal due to the illness of a close family member).

Funds will be directly disbursed to the educational institutions. You will require each institution to agree to use funds to defray the recipient's tuition and related expenses or to apply the funds otherwise for his or her benefit only if the recipient: (1) is enrolled at such educational institution and (2) remains in compliance with the institution's academic requirements necessary to obtain the desired educational degree. If a recipient fails to

enroll, drops out, or fails to remain in compliance with the institution's academic requirements, such institution will be required to return to you all unused funds.

If you have reason to believe that all or any part of a grant is not being used in furtherance of the grant's intended purposes, you will withhold further payments, to the extent possible, during the course of investigating the misuse. In the event of a misuse of funds, you will determine if the situation is a mistake and whether it can be corrected. If you discover that grant funds have been misappropriated, all reasonable steps will be taken to recover any diverted funds or to ensure that any unused portion is either returned or used for the intended purpose of the grant, as required by Section 53.4945-4(c)(4) of the Treasury Regulations. In any case where the funds have been misused, you will refrain from making additional disbursements and take further appropriate action as necessary.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements