

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

Department of the Treasury

Release Number: **201315033**
Release Date: 4/12/2013
Date: January 17, 2013

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND
x = dollar amount
Y = name

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

One of your charitable purposes is relief of the poor and distressed and of the underprivileged. You believe that the best way to accomplish this purpose is to provide indigent people with core necessities in order to help them become self-sufficient.

The purpose of your program is to implement a program of making educational grants to indigent persons.

You plan to give one scholarship per year to one exceptionally well-qualified individual. The scholarship will be awarded annually until the recipient graduates from college, at which time you will accept application for the next scholarship.

The individuals eligible to apply for the scholarship include those who are indigent and cannot afford the cost of obtaining a college education. You have not placed any restrictions on age, nationality, gender, or other similar restrictions. You will rely primarily on other charitable organizations, especially charitable organizations that work with the indigent population, to refer eligible candidates. You do not expect to receive more than five applications per year; however, you will accept applications from all sources.

You will evaluate applicants based solely on the following criteria:

- a. Financial need. Need will be determined based on the applicant's overall financial situation. You wish to benefit the truly indigent and expect that the scholarships will be awarded to recipients with annual gross income of less than x dollars. In addition you will consider other factors, such as whether the applicant is eligible for assistance from the referring charity (if any), housing and other governmental benefits, and other need-based educational scholarships.
- b. Ability to succeed in college. Scholarships will be awarded only to individuals who can demonstrate that they are likely to succeed in a college in the United States. In making this determination, you will review the applicant's prior transcripts and evidence of extracurricular activities.
- c. Personal character and motivation. You will evaluate each applicant's character, motivation, ability, and potential based on a personal interview.

Your selection process will be non-biased. Applicants will be ranked on their financial need and ability to succeed in college and the scholarship will be awarded to the highest-ranked applicant that satisfies the eligibility criteria. You will not accept applications from any person related to you or the Y family.

You will determine whether the potential recipients meet the criteria based on documentation and other evidence of financial need and ability to succeed in college. You will examine financial documentation necessary to substantiate that each applicant's annual gross income is less than x dollars. The selection committee will consist of your trustees.

You will describe the terms of the grant in a letter to the recipient. The terms and conditions will include the following:

- a. The scholarship will pay for the costs of tuition and related educational expenses (such as room and board, books and supplies, etc.) in an amount determined based on financial need.
- b. All funds will be paid directly to the educational institution. No portion of the scholarship grant will be paid to the recipient.
- c. The recipient will be required to provide quarterly reports to you, including transcripts showing courses taken and grades received. In addition, the recipient

will be required to provide a final report, including a final transcript, upon completion of the recipient's study. Finally, the recipient will be informed that you will have a representative periodically meet with officials of the educational institution where the recipient is enrolled in order to review and discuss the recipient's academic progress and financial needs.

The recipient will be required to accept the terms and conditions before any funds will be disbursed.

Scholarship grants will be awarded to the recipient on an annual basis until the recipient completes his or her course of study, but only as long as the recipient remains in good academic and disciplinary standing.

If the required reports are not provided timely, you will withhold all further payments until the delinquent reports have been submitted. If you determine that the recipient no longer meets the terms and conditions of the scholarship, no further scholarships will be awarded and you will request refunds of any unused scholarship funds from the educational institution.

You believe that a misuse of the scholarship funds is highly unlikely because the scholarship will be paid directly to the educational institution; however, if you discover a misuse of the scholarship funds, you will immediately cease all further grants to the recipient and will take appropriate action to reclaim any misused funds.

You will maintain all records relating to individual scholarship including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each scholarship, and establish that you undertook the supervision and investigation of the scholarship.

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,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements