

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Release Number: **201443022**

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Date: **July 29, 2014**

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

V= City
W= Program Name
X= Church
Y= High School
Z= High School
b= Number
c dollars= Amount
d= Number
e= Number

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 Non-Exempt Charitable Trust (NECT) described in Section 4947(a)(1) and also a private foundation. 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 in Code section 117(b)).

Description of your request

Your letter indicates that you will operate a scholarship program called W.

W's purpose is to grant scholarships to high school seniors, or current students who plan to attend, or who are attending, an accredited college or university and who apply for

support. W will focus on the graduating seniors at Y and Z in V. Y and Z each have a graduating class in the range of e students and many are financially disadvantaged.

You intend to award around b first time scholarships of varying amounts depending on the availability of funds, but will try to maintain a minimum level of c dollars per year per scholarship. Moreover, your scholarships are renewable as long as certain criteria are met and these amounts could also vary depending on your net earnings, but you will also try and also maintain a minimum level of c dollars per year. In addition, you will adhere to the policy of giving priority to supporting existing scholarship grants.

You will place materials dealing with the criteria for qualifications for the scholarships and the required procedures in Y and Z. Furthermore, you plan to advertise W by placing announcements in the X bulletin; the announcements will specify the criteria for consideration and invite qualified applicants to apply. Materials will also be available at X. All completed materials should be submitted through the respective high school counseling office or through the office at X.

Applicants must demonstrate academic achievement, financial need and aspire to a Christian life style. Specifically, to be eligible for consideration, an applicant must provide proof of acceptance when applying to an accredited university and complete an application form that includes information regarding past academic performance, his/her financial circumstances and their immediate family, and present a 500 word essay detailing active involvement in a church, other civic and school activities and awards as well as plans for college and the future. An FAFSA form or your financial statement is also needed. All completed applications must be postmarked or submitted by mid spring unless otherwise noted through the counseling offices of Y and Z. Applicants may also submit materials to X addressed to your attention. You will then coordinate with the Y and Z counseling offices respectively asking each school to present to your selection committee d candidates each year for consideration.

An independent scholarship committee appointed and governed by your trustees, will handle the selection process and subsequent notification. No disqualified person (by definition a family affiliate of either a trustee or a member of the selection committee) will be eligible. Furthermore, you have the power, under the trust agreement, to replace a committee member at any time. The current selection committee is composed of two retired teachers, a trustee and a minister of X.

Criteria for selection are:

- Academic achievement;
- Church volunteer activities and involvement at X or other area churches;
- Community activities;
- School activities;
- Leadership;
- Employment;
- Awards;
- Honors;

- Financial need. (Your trustees are the only ones who will have access to the applicant's financial information and after review; this information will be kept confidentially on file. Your trustees will provide a high level summary to the selection committee.)

Scholarship awards will be announced by early summer or within 30 days of the close of the submission period. Students/recipients will be assigned to the committee members for monitoring, and mentoring. Students will be required to reapply each year for scholarship renewal. To apply for a renewal students must submit by early spring the following:

1. Your application renewal form citing continued attendance at an accredited university.
2. A personal essay of at least 300 words stating the highlights of their college experience thus far, ways in which their church experience continues to be important in their life, and plans for the future.
3. A college transcript through the first semester of the current school year reflecting a GPA of 2.75 or higher on a 4.0 scale.

All funds will be disbursed directly to the financial aid departments at the respective universities on behalf of the recipients. If a recipient's GPA falls below 2.75 for the hours of college work completed you will continue the scholarship for the next semester and allow the recipient to 're-qualify' before cancelling. If a grantee is discharged for disciplinary reasons, or withdraws from school, the scholarship will be cancelled. Should a scholarship be cancelled and there is the unlikelihood that there is an unused portion of a funded scholarship remaining, it will be treated as an interest free loan from you and will be expected to be repaid.

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

You represent that you will;

- (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- (2) investigate diversions of funds from their intended purposes, and
- (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

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