

**Application for Recognition of Exemption
 Under Section 501(c)(3) of the Internal Revenue Code**

Read the instructions for each Part carefully.
A User Fee must be attached to this application.
 If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.
Complete the Procedural Checklist on page 8 of the instructions.

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document)		2 Employer identification number (EIN) (If none, see page 3 of the Specific Instructions .)
THE MARIE A. DORNHECKER FOUNDATION		54-1945504
1b c/o Name (if applicable)		3 Name and telephone number of person to be contacted if additional information is needed
1c Address (number and street)	Room/Suite	
308 CEDAR LAKES DRIVE, 2ND FLOOR		Steven L. Baldwin, Secretary/Treasurer (757) 312-0924
1d City, town, or post office, state, and ZIP <input type="checkbox"/> 4. If you have a foreign address, see Specific Instructions for Part I, page 3.		4 Month the annual accounting period ends
CHESAPEAKE VA 23322-8343		December
1e Web site address		5 Date incorporated or formed
www.dornheckerfoundation.org		03/02/1998
7 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? j Yes <input checked="" type="checkbox"/> No If "Yes," attach an explanation.		6 Check here if applying under section: a j 501(e) b j 501(f) c j (501(k)) d j 501(n)
8 Is the organization required to file Form 990 (or Form 990-EZ)? j N/A <input checked="" type="checkbox"/> Yes j No If "No," attach an explanation (see page 3 of the Specific Instructions).		
9 Has the organization filed Federal income tax returns or exempt organization information returns? <input checked="" type="checkbox"/> Yes j No If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.		

Form 990PF for 1999 filed in Ogden, UT
Form 990PF for 2000 filed in Ogden, UT

10 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See **Specific Instructions** for Part I, Line 10, on page 3.) See also Pub. 557 for examples of organizational documents.)

a **Corporation** — Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.

b **Trust** — Attach a copy of the Trust indenture or Agreement, including all appropriate signatures and dates.

c **Association** — Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here **j**

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here _____ **Secretary/Treasurer** _____
 (Signature) (Type or print name and title or authority of signer) (Date)

Part II Activities and Operational Information

- 1 Provide a detailed narrative description of all the activities of the organization — past, present, and planned. **Do not merely refer to or repeat the language in the organizational document.** List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

The purpose of the organization is to administer the "Marie A. Dornhecker Scholarship For The Purpose Of Promoting The Study Of The French Language And Culture In Virginia." The scholarship is funded by contributions from The Marie A. Dornhecker Charitable Trust and other unrestricted sources of funds. Scholarships are granted according to the criteria announced each year for the purpose of promoting the study of French language and culture in the Commonwealth of Virginia. The scholarship is administered and the selection process for the recipients is administered by the Board of Directors. The scholarship's recipients are chosen using the following preferred criteria:

- (a). **Recipient must be a fulltime student or prospective student enrolled in a college or university within the Commonwealth of Virginia. carrying 12 hours or more;**
- (b). **Recipient need not be a French language major, but a student interested in the pursuit of knowledge of the French language and culture;**
- (c). **Recipient may be an incoming freshman, freshman, sophomore, junior or senior in college;**
- (d). **Selection of the student will be made on a basis of financial need and academic merit, with financial need weighted as 70% of the criteria and academic merit as 30% of the weight in making a final determination;**
- (e). **Recipient does need to demonstrate financial need. The application review process is as follows:**
 - (1). **Scholarship is advertised for a period of two (2) weeks in The Chesapeake Post or similar Tidewater area publication, that the scholarship will be granted for the upcoming semester;**
 - (2). **Applicants are required to submit an essay on why they are interested in the study of the French language and culture, and how it may impact their lives;**
 - (3). **Applicants must submit proof of financial need, which may be in the form of the applicants, or the applicants parents, tax returns and/or other financial data demonstrating financial need;**
 - (4). **Applicants must show that they have been accepted by and plan to enroll in a college or university within the Commonwealth of Virginia;**
 - (5). **All applications are reviewed, and a selection made, by the Board of Directors no later than the first week of August of each calendar year;**
 - (6). **The Board of Directors reserves the right to conduct personal interviews with applicants in making their final determination. The scholarship may be increased or decreased at any time pursuant to Board direction.**

- 2 What are or will be the organization's sources of financial support? List in order of size.

Currently the organization's primary source of financial support is The Marie A. Dornhecker Charitable Trust. Other funds are accepted as contributions from individual contributors and the income from investments is used to fund the organization.

- 3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

Currently no fundraising program exists as the Foundation relies on the contributions from the above noted Charitable Trust.

Part II Activities and Operational Information (Continued)

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.

b Annual compensation

1. **Stephen J. Telfeyan, Director & President**
308 Cedar Lakes Drive, Chesapeake, VA 23322

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2. **John Wm. Hester, Director & Vice President**
308 Cedar Lakes Drive, Chesapeake, VA 23322

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3., 4. and 5. on attached schedule

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c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? j Yes No
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See **Specific Instructions** for Part II, Line 4d, on page 3.) j Yes No
If "Yes," explain.

Stephen J. Telfeyan, John Wm. Hester and Steven L. Baldwin are both Directors and Officers of the Foundation

5 Does the organization control or is it controlled by any other organization? j Yes No
Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? j Yes No
If either of these questions is answered "Yes," explain.

Stephen J. Telfeyan and Robert R. Kinser are principals of the firm which acts as Trustee for The Marie A. Domhecker Charitable Trust (Basnight, Kinser, Telfeyan, Leftwich & Nuckolls, P.C.) and the Foundation is an outgrowth of that Trust as well as the Estate of the late Marie A. Domhecker.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? j Yes No
If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? j Yes No
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

Part II Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If none, indicate "N/A."

One computer work station including one Gateway computer, one Hewlett Packard printer, Cannon scanner, compuert desk and bookcase together with associated software and accessories.

9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? j Yes No

10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? j Yes No

b Is the organization a party to any leases? j Yes No
If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

11 Is the organization a membership organization? j Yes No
If "Yes," complete the following:

a Describe the organization's membership requirements and attach a schedule of membership fees and dues.

b Describe the organization's present and proposed efforts to attract members and attach a copy of any descriptive literature or promotional material used for this purpose.

c What benefits do (or will) the members receive in exchange for their payment of dues?

12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? j N/A j Yes No
If "Yes," explain how the charges are determined and attach a copy of the current fee schedule.

b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? j N/A Yes j No
If "Yes," explain how the recipients or beneficiaries are or will be selected.

See the selection criteria for scholarship recipients outlined in response to Part II question #1. and the attached application.

13 Does or will the organization attempt to influence legislation? j Yes No
If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? j Yes No
If "Yes," explain fully.

Part III Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? j Yes No

If you answer "Yes," do not answer questions on lines 2 through 6 below.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7.

Exceptions — You are not required to file an exemption application within 15 months if the organization:

- j a Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See **Specific Instructions**, Line 2a, on page 4;
- j b Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- j c Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? Yes j No
Although the date of incorporation was March 2, 1998, the formation was not complete until Directors were appointed on March 1, 1999.

If "Yes," your organization qualifies under Regulation section 301.9100-2, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 6.

If "No," answer question 4.

4 If you answer "No" to question 3, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? j Yes j No

If "Yes," give the reasons for not filing this application within the 27-month period described in question 3. See **Specific Instructions**, Part III, Line 4, before completing this item. Do not answer questions 5 and 6.

If "No," answer questions 5 and 6.

5 If you answer "No" to question 4, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? j Yes j No

6 If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here j and attach a completed page 1 of Form 1024 to this application.

Part III Technical Requirements (Continued)

7 Is the organization a private foundation?

Yes (Answer question 8.)

No (Answer question 9 and proceed as instructed.)

8 If you answer "Yes" to question 7, does the organization claim to be a private operating foundation?

Yes (Complete Schedule E.)

No

After answering question 8 on this line, go to line 14 on page 7.

9 If you answer "No" to question 7, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

a	<input type="checkbox"/> As a church or a convention or association of churches (CHURCHES MUST COMPLETE SCHEDULE A.)	Sections 509(a)(1) and 170(b)(1)(A)(i)
b	<input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B.)	Sections 509(a)(1) and 170(b)(1)(A)(ii)
c	<input type="checkbox"/> As a hospital or cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (These organizations, except for hospital service organizations, MUST COMPLETE SCHEDULE C.)	Sections 509(a)(1) and 170(b)(1)(A)(iii)
d	<input type="checkbox"/> As a governmental unit described in section 170(c)(1).	Sections 509(a)(1) and 170(b)(1)(A)(v)
e	<input type="checkbox"/> As being operated solely for the benefit of, or in connection with, one or more of the organizations described in a through d , g , h , or i (MUST COMPLETE SCHEDULE D.)	Section 509(a)(3)
f	<input type="checkbox"/> As being organized and operated exclusively for testing for public safety.	Section 509(a)(4)
g	<input type="checkbox"/> As being operated for the benefit of a college or university that is owned or operated by a governmental unit.	Sections 509(a)(1) and 170(b)(1)(A)(vi)
h	<input type="checkbox"/> As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.	Sections 509(a)(1) and 170(b)(1)(A)(vi)
i	<input type="checkbox"/> As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions).	Section 509(a)(2)
j	<input type="checkbox"/> The organization is a publicly supported organization but is not sure whether it meets the public support test of h or i . The organization would like the IRS to decide the proper classification.	Sections 509(a)(1) and 170(b)(1)(A)(vi) or Section 509(a)(2)

If you checked one of the boxes **a** through **f** in question 9, go to question 14. If you checked box **g** in question 9, go to questions 11 and 12. If you checked box **h**, **i**, or **j**, in question 9, go to question 10.

Part III Technical Requirements (Continued)

- 10** If you checked box **h**, **i**, or **j** in question 9, has the organization completed a tax year of at least 8 months?
j Yes — Indicate whether you are requesting:
 j A definitive ruling. (Answer questions 11 through 14.)
 j An advance ruling. (Answer questions 11 and 14 and attach two Forms 872-C completed and signed.)
j No — **You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the Form 1023.**

- 11** If the organization received any unusual grants during any of the tax years shown in Part IV-A, **Statement of Revenue and Expenses**, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

N/A

- 12** If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here **j** and:

- a** Enter 2% of line 8, column (e), Total, of Part IV-A. _____
b Attach a list showing the name and amount contributed by each person (other than a governmental unit or “publicly supported” organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line **12a** above.

- 13** If you are requesting a definitive ruling under section 509(a)(2), check here **j** and:

- a** For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each “disqualified person.” (For a definition of “disqualified person,” see **Specific Instructions**, Part II, Line 4d, on page 3.)
b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a “disqualified person”) whose payments to the organization were more than \$5,000. For this purpose, “payer” includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

- 14** Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. **Do not submit blank schedules.**)

	Yes	No	If “Yes,” complete Schedule:
Is the organization a church?		X	A
Is the organization, or any part of it, a school?		X	B
Is the organization, or any part of it, a hospital or medical research organization?		X	C
Is the organization a section 509(a)(3) supporting organization?		X	D
Is the organization a private operating foundation?	X		E
Is the organization, or any part of it, a home for the aged or handicapped?		X	F
Is the organization, or any part of it, a child care organization?		X	G
Does the organization provide or administer any scholarship benefits, student aid, etc.?	X		H
Has the organization taken over, or will it take over, the facilities of a “for profit” institution?		X	I

Part IV Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
		(a) From 1/1/01 to 5/1/01	(b) 1/1/00 12/31/00	(c) 3/10/99 12/31/99	
Revenue					
1 Gifts, grants, and contributions received (not including unusual grants — see page 6 of the instructions)	25,000.00	24,000.00	15,000.00		64,000
2 Membership fees received	0	0	0		0
3 Gross investment income (see instructions for definition)	157.66	80	69.00		307
4 Net income from organization's unrelated business activities not included on line 3	0	0	0		0
5 Tax revenues levied for and either paid to or spent on behalf of the organization	0	0	0		0
6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)	0	0	0		0
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)	103.07		0		103
8 Total (add lines 1 through 7)	25,261	24,080	15,069		64,410
9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22.	0	0			0
10 Total (add lines 8 and 9)	25,261	24,080	15,069		64,410
11 Gain or loss from sale of capital assets (attach schedule)	0	0			0
12 Unusual grants	0	0			0
13 Total revenue (add lines 10 through 12)	25,261	24,080	15,069		64,410
Expenses					
14 Fundraising expenses	0	0	0		
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)	0	9,999.00	5,000		
16 Disbursements to or for benefit of members (attach schedule)	0	0	0		
17 Compensation of officers, directors, and trustees (attach schedule)	4,762.50	8,927.50	2,235		
18 Other salaries and wages	0	0	0		
19 Interest		0	0		
20 Occupancy (rent, utilities, etc.)	735.32	807.49	509.38		
21 Depreciation and depletion		1,241.00	768.00		
22 Other (attach schedule)	1,382.57	3,243.87	382.12		
23 Total expenses (add lines 14 through 22)	6,880	24,219	8,895		
24 Excess of revenue over expenses (line 13 minus line 23)	18,381	(139)	6,174		

Part IV Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)

Current tax year
Date **5/1/01**

Assets			
1	Cash	1	22,404.45
2	Accounts receivable, net	2	0
3	Inventories	3	0
4	Bonds and notes receivable (attach schedule)	4	0
5	Corporate stocks (attach schedule)	5	0
6	Mortgage loans (attach schedule)	6	0
7	Other investments (attach schedule)	7	0
8	Depreciable and depletable assets (attach schedule)	8	1,785.98
9	Land	9	0
10	Other assets (attach schedule)	10	0
11	Total assets (add lines 1 through 10)	11	24,190
Liabilities			
12	Accounts payable	12	0
13	Contributions, gifts, grants, etc., payable	13	0
14	Mortgages and notes payable (attach schedule)	14	0
15	Other liabilities (attach schedule)	15	0
16	Total liabilities (add lines 12 through 15)	16	0
Fund Balances or Net Assets			
17	Total fund balances or net assets	17	24,190.43
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	18	24,190

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation. © j

Schedule E. Private Operating Foundations

Income Test	Most recent tax year	
1a Adjusted net income, as defined in Regulations section 53.4942(a)-2(d)	1a	0
b Minimum investment return, as defined in Regulations section 53.4942(a)-2(c)	1b	264
2 Qualifying distributions:		
a Amounts (including administrative expenses) paid directly for the active conduct of the activities for which organized and operated under section 501(c)(3) (attach schedule)	2a	12,609
b Amounts paid to acquire assets to be used (or held for use) directly in carrying out purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	2b	
c Amounts set aside for specific projects that are for purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule)	2c	
d Total qualifying distributions (add lines 2a, b, and c)	2d	12,609
3 Percentages:		
a Percentage of qualifying distributions to adjusted net income (divide line 2d by line 1a)	3a	0 %
b Percentage of qualifying distributions to minimum investment return (divide line 2d by line 1b) (Percentage must be at least 85% for 3a or 3b)	3b	4,776 %
Assets Test		
4 Value of organization's assets used in activities that directly carry out the exempt purposes. Do not include assets held merely for investment or production of income (attach schedule)	4	6,072
5 Value of any stock of a corporation that is controlled by applicant organization and carries out its exempt purposes (attach statement describing corporation)	5	0
6 Value of all qualifying assets (add lines 4 and 5)	6	6,072
7 Value of applicant organization's total assets	7	6,072
8 Percentage of qualifying assets to total assets (divide line 6 by line 7 — percentage must exceed 65%)	8	100 %
Endowment Test		
9 Value of assets not used (or held for use) directly in carrying out exempt purposes:		
a Monthly average of investment securities at fair market value	9a	0
b Monthly average of cash balances	9b	0
c Fair market value of all other investment property (attach schedule)	9c	0
d Total (add lines 9a, b, and c)	9d	0
10 Acquisition indebtedness related to line 9 items (attach schedule)	10	0
11 Balance (subtract line 10 from line 9d)	11	0
12 Multiply line 11 by 3 ¹ / ₃ % (2/3 of the percentage for the minimum investment return computation under section 4942(e)). Line 2d above must equal or exceed the result of this computation	12	0
Support Test		
13 Applicant organization's support as defined in section 509(d)	13	24,080
14 Gross investment income as defined in section 509(e)	14	80
15 Support for purposes of section 4942(j)(3)(B)(iii) (subtract line 14 from line 13)	15	24,000
16 Support received from the general public, five or more exempt organizations, or a combination of these sources (attach schedule)	16	0
17 For persons (other than exempt organizations) contributing more than 1% of line 15, enter the total amounts that are more than 1% of line 15	17	0
18 Subtract line 17 from line 16	18	0
19 Percentage of total support (divide line 18 by line 15 — must be at least 85%)	19	0 %
20 Does line 16 include support from an exempt organization that is more than 25% of the amount of line 15?	j	Yes j No
21 Newly created organizations with less than 1 year's experience: Attach a statement explaining how the organization is planning to satisfy the requirements of section 4942(j)(3) for the income test and one of the supplemental tests during its first year's operation. Include a description of plans and arrangements, press clippings, public announcements, solicitations for funds, etc.		
22 Does the amount entered on line 2a above include any grants that the applicant organization made?	jX	Yes j No

For more information, see back of Schedule E.

Instructions

If the organization claims to be an operating foundation described in section 4942(j)(3) and —

a. Bases its claim to private operating foundation status on normal and regular operations over a period of years; or

b. Is newly created, set up as a private operating foundation, and has at least 1 year's experience; provide the information under the **income test and under one of the three supplemental tests** (assets, endowment, or support). If the organization does not have at least 1 year's experience, provide the information called for on line 21. If the organization's private operating foundation status depends on its normal and regular operations as described in **a** above, attach a schedule similar to Schedule E showing the data in tabular form for the 3 years preceding the most recent tax year. (See Regulations section 53.4942(b)-1 for additional information before completing the "Income Test" section of this schedule.) Organizations claiming section 4942(j)(5) status must satisfy the income test and the endowment test.

A "private operating foundation" described in section 4942(j)(3) is a private foundation that spends substantially all of the smaller of its adjusted net income (as defined below) or its minimum investment return directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated. The foundation must satisfy the income test under section 4942(j)(3)(A), as modified by Regulations section 53.4942(b)-1, and one of the following three supplemental tests: **(1)** the assets test under section 4942(j)(3)(B)(i); **(2)** the endowment test under section 4942(j)(3)(B)(ii); or **(3)** the support test under section 4942(j)(3)(B)(iii).

Certain long-term care facilities described in section 4942(j)(5) are treated as private operating foundations for purposes of section 4942 only.

"Adjusted net income" is the excess of gross income determined with the income modifications described below for the tax year over the sum of deductions determined with the deduction modifications described below. Items of gross income from any unrelated trade or business and the deductions directly connected with the unrelated trade or business are taken into account in computing the organization's adjusted net income.

Income Modifications

The following are income modifications (adjustments to gross income):

1. Section 103 (relating to interest on certain governmental obligations) does not apply. Thus, interest that otherwise would have been excluded should be included in gross income.

2. Except as provided in **3** below, capital gains and losses are taken into account only to the extent of the net short-term gain. Long-term gains and losses are disregarded.

3. The gross amount received from the sale or disposition of certain property should be included in gross income to the extent that the acquisition of the property constituted a qualifying distribution under section 4942(g)(1)(B).

4. Repayments of prior qualifying distributions (as defined in section 4942(g)(1)(A)) constitute items of gross income.

5. Any amount set aside under section 4942(g)(2) that is "not necessary for the purposes for which it was set aside" constitutes an item of gross income.

Deduction Modifications

The following are deduction modifications (adjustments to deductions):

1. Expenses for the general operation of the organization according to its charitable purposes (as contrasted with expenses for the production or collection of income and management, conservation, or maintenance of income-producing property) should not be taken as deductions. If only a portion of the property is used for production of income subject to section 4942 and the remainder is used for general charitable purposes, the expenses connected with that property should be divided according to those purposes. Only expenses related to the income-producing portion should be taken as deductions.

2. Charitable contributions, deductible under section 170 or 642(c), should not be taken into account as deductions for adjusted net income.

3. The net operating loss deduction prescribed under section 172 should not be taken into account as a deduction for adjusted net income.

4. The special deductions for corporations (such as the dividends-received deduction) allowed under sections 241 through 249 should not be taken into account as deductions for adjusted net income.

5. Depreciation and depletion should be determined in the same manner as under section 4940(c)(3)(B).

Section 265 (relating to the expenses and interest connected with tax-exempt income) should not be taken into account.

You may find it easier to figure adjusted net income by completing column (c), Part 1, Form 990-PF, according to the instructions for that form.

An organization that has been held to be a private operating foundation will continue to be such an organization only if it meets the income test and either the assets, endowment, or support test in later years. See Regulations section 53.4942(b) for additional information. No additional request for ruling will be necessary or appropriate for an organization to maintain its status as a private operating foundation. However, data related to the above tests must be submitted with the organization's annual information return, Form 990-PF.

Schedule H. Organizations Providing Scholarship Benefits, Student Aid, etc., to Individuals

1a Describe the nature and the amount of the scholarship benefit, student aid, etc., including the terms and conditions governing its use, whether a gift or a loan, and how the availability of the scholarship is publicized. If the organization has established or will establish several categories of scholarship benefits, identify each kind of benefit and explain how the organization determines the recipients for each category. Attach a sample copy of any application the organization requires individuals to complete to be considered for scholarship grants, loans, or similar benefits. (Private foundations that make grants for travel, study, or other similar purposes are required to obtain advance approval of scholarship procedures. See Regulations sections 43.4945-4(c) and (d).)
See the response to Part II Question 1, and the attached application for the 2000 scholarships.

b If you want this application considered as a request for approval of grant procedures in the event we determine that the organization is a private foundation, check here ©

c If you checked the box in **1b** above, check the box(es) for which you wish to organization to be considered.

4945(g)(1) 4945(g)(2) 4945(g)(3)

2 What limitations or restrictions are there on the class of individuals who are eligible recipients? Specifically explain whether there are, or will be, any restrictions or limitations in the selection procedures based upon race or the employment status of the prospective recipient or any relative of the prospective recipient. Also indicate the approximate number of eligible individuals.

The primary limitation is that the applicant be a Virginia resident enrolled in a Virginia College or University. Academic achievement and financial need are selection criteria, but not limiting factors. Neither the applicant's race or employment status are considered except when employment may have an impact on the applicant's financial need.

3 Indicate the number of grants the organization anticipates making annually © **3**

4 If the organization bases its selections in any way on the employment status of the applicant or any relative of the applicant, indicate whether there is or has been any direct or indirect relationship between the members of the selection committee and the employer. Also indicate whether relatives of the members of the selection committee are possible recipients or have been recipients.
n/a

5 Describe any procedures the organization has for supervising grants (such as obtaining reports or transcripts) that it awards and any procedures it has for taking action if the terms of the grant are violated.

Upon selection and granting of scholarships to recipients, a check for the full amount of the grant is forwarded to the Bursar 's Office of the college or university at which the recipient is enrolled for application to the recipients tuition and fees. The institution is advised to ensure that the funds are only used for the benefit of the recipient only if the recipient is enrolled and in good academic standing otherwise any unused funds should be immediately returned to the Foundation It is the intent of the Foundation that this supervision procedure satisfy the requirements of Section 4945 as provided in the Treasury Regulations Section 53.4945-4(c)(5).

For more information, see back of Schedule H.

Additional Information

Private foundations that make grants to individuals for travel, study, or other similar purposes are required to obtain advance approval of their grant procedures from the IRS. Such grants that are awarded under selection procedures that have not been approved by the IRS are subject to a 10% excise tax under section 4945. (See Regulations sections 53.4945-4(c) and (d).)

If you are requesting advance approval of the organization's grant procedures, the following sections apply to line **1c**:

4945(g)(1) — The grant constitutes a scholarship or fellowship grant that meets the provisions of section 117(a) prior to its amendment by the Tax Reform Act of 1986 and is to be used for study at an educational organization (school) described in section 170(b)(1)(A)(ii).

4945(g)(2) — The grant constitutes a prize or award that is subject to the provisions of section 74(b), if the recipient of such a prize or award is selected from the general public.

4945(g)(3) — The purpose of the grant is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.