

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

**Department of the Treasury**

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**Date: October 24, 2008**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

**UIL 4945.04-04**

X= Foundation  
Y= Name of Program  
x= amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated July 3, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program called Y. This program will award up to 50 one-time grants in the amount of x to qualifying applicants to help pay for ministry education for the purpose of becoming missionaries or ministers. The program will be advertised in X's quarterly newsletter and sent to all known higher education Bible Schools.

Interested individuals will be required to complete an application. The application requires completion of family, education, employment, and spiritual information. A copy of the applicant's high school completion, proof of Bible School acceptance or enrollment, a two-page essay about themselves and why they should receive the grant, and a letter of recommendation from their pastor will also need to be submitted. Grants will be awarded on a nondiscriminatory basis upon receiving board approval based on the application.

The selection committee is comprised of the Board members of X. All Board members are either ministers or serve in a ministry area of their church. No board members, employees or disqualified persons are allowed to apply for a grant.

Recipients will be chosen based on financial need, character reference and recommendation. Those who show a need, have good character, and show a true calling into the ministry will be awarded a grant.

The grants will be paid to the school on behalf of the student. All funds must be used for educational purposes, such as tuition, supplies, housing, books, etc.

X will track the educational progress of the students by requiring them to send in a copy of their grades and/or course completion. The information must be on an official school document. X will also require that they send in receipts of school expenses and plans for ministerial work after completion of education. Progress reports are required within the first six months and must continue monthly until all funds are spent.

If X feels the funds were misused they will immediately contact the school and the recipient for clarification and demand the return of any misused funds.

X agrees to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements