

Internal Revenue Service
P.O. Box 2508, Room 7008
Cincinnati, OH 45201

Department of the Treasury
Director, Exempt Organizations
Rulings and Agreements

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Employer Identification Number:

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Contact Person - ID Number:

Contact Telephone Number:

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Legend

B = Scholarship
C = Trust Agreement
X = Student Loan Fund
Y = City, State,
Z = Church
x = \$amount

Dear _____ :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated November 1, 2008.

The X was formed by the C.

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

The X conducts a scholarship program called the B. The B is anticipated to be conducted in Y and the surrounding area served by the Z. Eligible recipients of the B will be people under the age of 25 who have been members of the Z for at least 2 years. All applications will be ranked based on information presented therein. Preference is given to those choosing the fields of religion, medicine or nursing.

The selection committee is composed of prominent members of the Z including the President of the Board of Trustees, the Director, and the Staff Liaison to the Board of Trustees.

Interested candidates for the program will complete an application which will be reviewed by the selection committee. No award will be provided to any individual who is related by blood, adoption, or marriage to any member of the selection committee as a first cousin or nearer relative.

It is expected that the X will receive between 20 and 30 applications in a given year and that the award will be approximately x. Once selected the recipients will receive an amount of money each year based on the earnings of the C. The award will be payable upon receipt of the recipient's tuition bill that reflects that the recipient is a full time student.

Prior to 2008, no grants were made directly by the X. During this period the X made distributions directly to the Z. Beginning January 1, 2008, the B grant distributions will be made directly by the X.

The X ensures the funds are used for the intended purpose by submitting the award directly to the institution where the recipient is enrolled. In addition, the X will ask each institution to refund any unearned portion of the scholarship.

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.

Your awards granted in accordance with objectivity and nondiscrimination will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures, if objective and nondiscriminatory, are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

The effective date of our approval is January 1, 2008.

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)(1) 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 are objective and nondiscriminatory and do not differ materially from those described in your request.

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
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