

**Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements**

**Department of the Treasury
P.O. Box 2508 - Room XXXX
Cincinnati, Ohio 45201**

Release Number: **200938032**
Release Date: 9/18/09
Date: 6/25/09

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND

UIL 4945.04-04

B= Name of Organization
C= High School
D= Geographical Location
x= Amount

Dear

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated February 12, 2009.

Our records indicate that the B 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 the B will be awarding scholarships in amounts of not less than x per semester. The scholarship funds will be designated for tuition, books, fees, supplies or any other tuition related cost essential for the student's education. The recipient of the scholarship will be selected from the population of graduating seniors of C. The purpose of the scholarship is to encourage and enable outstanding students to continue to develop academically through pursuing a baccalaureate degree at a qualified college or university. Students seeking a degree in engineering, business or teaching will be given preference in awarding this scholarship.

Every effort will be made to inform potential scholarship applicants about the availability of the scholarships. Each year scholarship announcement letters and descriptive brochures will be sent to C. Additionally, press releases will be provided to all newspapers in D outlining the eligibility requirements and the application process. The number of new scholarships to be awarded shall be determined annually by the Trustees based on prior commitments outstanding and funds available for this purpose. The initial term of a scholarship shall be the number of semesters required for the recipient to complete a degree, but not to exceed nine semesters for a baccalaureate degree.

Scholarship recipients shall be selected based on the following criteria:

- Proof of United States Citizenship
- High school grades and class rank
- ACT or SAT scores
- Honors and awards for school work, extracurricular or civic activities
- Applicant statements about reading and recreational activities that indicate their interests
- Applicant statements about their educational objectives
- General remarks about the application as prepared by a school official and
- Personal recommendations written on behalf of the applicant.

The following persons are not eligible to apply for scholarships

- Full time employees of the Foundation having at least one year of service,
- Members of the family (spouse, children, or grandchildren) of members of the Scholarship committee or the Selection committee, and
- Disqualified persons of the Foundation, as described in IRC Sec. 4946 (a)(1).

The Selection Committee shall be made up of three members appointed by the Trustees of the Foundation.

Continued receipt of this scholarship will be based on the recipient maintaining a 3.0 cumulative grade point average on a 4.0 scale, remaining a full time student as defined by the qualified college or university being attended, and continuing to pursue a degree in the aforementioned disciplines.

Each scholarship recipient shall provide promptly a comprehensive written report and a transcript of the work of the previous semester. The scholarship awarded to any student not providing evidence of successful completion of a semester shall be terminated and discontinued, and the student will be required to repay funds received for that semester. The scholarship recipient will be required to submit a written report of his or her activities at the end of each semester. Additionally, he or she will submit a transcript from the college or university attended that includes the courses completed and grades recorded for each course. The scholarship recipient will also submit receipts or other documents that substantiate the use of scholarship funds for educational purposes. Each report and transcript will be reviewed by the grantor at the end of each semester to determine whether the terms and conditions of the grant have been met. Students who have not provided evidence of successfully completing the semester will be requested in writing to return funds for that semester and will receive no additional funds. However, it is anticipated that payments of the scholarships will be presented directly to the educational organization in order to minimize the Foundation's exposure for misuse of funds. A recipient who fails to maintain a cumulative grade point average of 3.0 will be placed on probation for one

semester and not receive scholarship funds until the required cumulative grade point average has been met.

Application forms and attachments, semester reports, and all written records and correspondence relating to scholarship recipients will be kept for at least five years following the initial scholarship award and will include but are not limited to, 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);
- (iii) The amount and purpose for each grant; and
- (iv) All grantee reports and other follow-up data in administering the 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 scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

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

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 grant-making procedures is a one-time approval of your system standards and procedures that will result in grants 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 succeeding grant programs only as long as the standards and procedures under which they are conducted 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 grant 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.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

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

Sincerely yours,

Robert Choi
Director of Exempt Organizations

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