

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

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Organization
Z= Individuals
x= dollars

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 December 19, 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. The purpose is to provide grants to Z. X expects to award 5 to 10 scholarship per year in the amount of x, made payable, in most cases, to a qualified educational institution. The grants would be specifically for tuition, fees, books, and supplies for the enrollment of the recipient at a college, university, vocational school, or graduate school. The number of individual grants awarded and the amount of each individual grant will vary based on current outstanding grants in process and the number of prospective recipients.

Eligible applicants will be Z. Applicant referrals will be forwarded to X on an ongoing year-round basis by Z.

Individuals apply by having a recommendation made to the board of X. Once the board of X learns of an applicant, a board member of X will contact that individual to gather additional information. There is no formal or standard application form. The board of X will conduct interviews with the applicants as part of the application process and will gather information from the candidates verbally and through written requests to obtain necessary documentation to support the candidates' compliance with the scholarship requirements.

The selection criteria will be: (a) academic performance (past and present), (b) financial need, (c) cost of the current program, (d) sources of income available to the applicant, (e) willingness and ability of applicant to work concurrently while enrolled in the education

program, (f) any other available options for financing or program alternatives, and (g) not be a disqualified person as defined in section 4946(a) of the Code.

Scholarships and Grants will be awarded by a majority vote of the board members of X. Selection is made on a nondiscriminatory, objective basis based on the aforementioned criteria.

An applicant will be notified via telephone and with written correspondence of their acceptance and further outlining the requirements to maintain the scholarship.

The procedures for the confirmation of the terms and conditions of the award are as follows: (a) Each recipient will be required to provide the board of X with regular reports, no less than annually, specifically detailing the use of funds and progress toward the intended purposes, (b) Each recipient will be required to provide the board of X with his/her schedule of classes each academic period and the grades from the prior period, (c) Each recipient will be required to prepare and provide the board of X with a work schedule that will detail the balance of his/her work and class schedules, (d) Each recipient will be required to prepare and provide the board of X with a personal financial budget, (e) Each recipient will submit a final report to the board of X upon conclusion of the scholarship summarizing the accomplishments with respect to the grant award and an accounting of all funds received.

Where possible, X will pay scholarship funds directly to the educational institution. Such arrangement will include an agreement with the educational institution that the funds defray the recipient's expenses or be paid to the recipient only if the individual is enrolled at such educational organization and his/her standing is consistent with the purpose of the grant.

If X suspects that its grant funds have not been used for the grant purpose, X will investigate the use of the grant funds and will withhold any additional grant funds to the particular individual and/or cease direct payment to the educational institution on the individual's behalf. Upon such suspicion, X shall request an immediate reporting by the grant recipient accounting for all grant funds and accomplishments in furtherance of the grant purpose. X must determine whether the individual's grant shall be terminated or reinstated. Where X finds evidence that grant funds were not used by the individual for the intended purpose, X will seek to recover such funds and cease funding the particular individual.

X will retain all records pertaining to all grants to individuals as described above. Such records shall contain all information X secured to evaluate the qualification of potential recipients; identification of grant recipients; specification of the amount and purpose of each grant; and the annual reporting which X obtains from each recipient.

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).

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 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 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.

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, Exempt Organizations
Rulings and Agreements