

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

Department of the Treasury

Number: **201020024**
Release Date: 5/21/2010

Date: February 22, 2010

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL: 4945.04-04

LEGEND

X= Name of Organization

Y= Name of Program

Z= Community

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 August 25, 2009.

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 dated August _____, 20_____ indicates that X will operate a grant-making program called Y.

The purpose of X is to provide academic scholarships to the residents of the community of Z.

The purpose of Y is to provide scholarships or grants for individual study at an educational institution towards a degree program at an accredited college or university.

Applicants must meet all the following requirements:

- Be a resident of Z.
- Be enrolled in an accredited college or university.
- Be able to demonstrate financial need.
- Be registered as a full time student, pursuing an Associate degree or higher.
- Undergraduate students must have a minimum 2.0 cumulative GPA.
- Graduate students must have a minimum 3.0 cumulative GPA.

All applicants that apply timely and meet the eligibility criteria listed above will receive a scholarship.

The scholarship award is sent to the financial aid office at the college or university the recipient is attending and is instructed to release the award only if the student is enrolled as a full time student and is in good academic standing. Recipients failing to earn the number of credit hours equal to a full time academic workload in an academic year will not be eligible to receive the award until they earn credit hours equal to a full time workload in a given semester. Recipients not maintaining the required cumulative GPAs will not be eligible to receive the award until they maintain the required GPA.

Official transcripts are required for the academic year in which the recipient has received the award prior to reapplying for the award for the next academic year.

X will investigate any possible misuse of funds by a recipient, withhold further funds during the investigation if a misuse of funds is discovered, and seek recovery of misused funds.

X will maintain records of applicants, grantees' performance reports and other follow-up data obtained in administering Y.

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.

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