

Internal Revenue Service
Director, Exempt Organizations

Department of the Treasury
P.O. Box 2508
Cincinnati, Ohio 45201

Release Number: **201027059**

Release Date: 7/9/10

Date: 4/13/10

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Number:

Phone

UIL Code
4945.04-04

LEGEND

B = Name of School
D = Name of School District
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 October 31, 2009.

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

Your letter indicates that you will operate a grant-making program that will be awarding scholarships to individuals to graduating seniors of B or students who are residents of D for post high school study. You will notify the Counselor and Principal of D verbally that scholarships are available and provide them the scholarship criteria. Approximately 200 plus individuals are eligible on a yearly basis and generally five scholarships will be awarded in the amount of x each, given on a one-time basis.

Applications are reviewed by a committee of three or four members of your Board of Directors as they are received. The Current selection committee is made up of four members. The Committee uses a ten point scoring sheet for each candidate. Each application is independently scored and the top five candidates are awarded scholarships.

Applicants must submit the following:

- An Application Form.
- A One to two (1-2) page essay on "Why did you select your field of study and how will it benefit yourself as being a productive citizen"
- Two (2) letters of recommendations detailing applicants background, achievements, leadership abilities, and community involvement. One (1) letter must come from a teacher or school official.
- A personal résumé which provides information about community involvement/activities, school involvement/activities, and work experience, if any.
- Applications must be received on or before a preset deadline each year.

Members of the selection committee and their relatives are not eligible to apply for the scholarship program.

All scholarships will be paid directly to the recipient. The recipient is required to show proof of enrollment in a college before payment is made to the recipient.

The Board will arrange to receive and review grantee reports, investigate any suspected diversions of scholarships from their intended purpose and take all reasonable steps to recover the diverted funds, ensure scholarships are used for their intended purpose and withhold further payments to that individual if necessary.

You will maintain records for all selected recipients that will include information obtained to evaluate grantees, identifying whether a grantee is a disqualified person, amount and purpose of each grant, proof of enrollment, and any applicable investigation of diverted funds.

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, effective October 31, 2009, 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 as of October 31, 2009, 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, October 31, 2009, 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