

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

**Department of the Treasury**

Number: **201114034**  
Release Date: 4/8/2011

**Employer Identification Number:**

**Contact Person - ID Number:**

**Date: January 11, 2011**

**Contact Telephone Number:**

LEGEND

UIL: 4945.04-04

X= County

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 July 27, 2010.

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

The purpose of your grant program is to assist students residing in X to further their education at an accredited institution. The amount and number of the grants varies depending upon available funds. Usually, you will give six to ten scholarships annually, ranging from \$500 to \$800. The scholarships are one time awards and are not renewable.

Any graduating high school senior residing in X, or attending a X school, who is accepted for enrollment in an accredited institution as a full time student is eligible to apply for the scholarships.

In order to be considered for the scholarship, applicants must submit (a) an application that is available at all X schools and on the schools' websites (b) a high school transcript, and (c) two personal recommendations from non-relatives (one of which must be from a certified staff person, such as a principal, teacher, or guidance counselor)

Selection of scholarship winners will be based on academic achievement, community activity, and personal recommendations. Academic achievement will be based on class standing, college entrance exams, and the overall excellence of the application.

The Selection Committee is composed of members of the organization. Committee members consist of a representative from each community in X and shall serve a 3 year term. Each year applications are accepted until March 1. The Selection Committee then meets to make final selections by secret ballots and then a majority vote will constitute a

quorum to select the winners. The winners are then announced at a local community meeting and/or the recipient's high school award ceremony.

The scholarships may not be awarded to any individual who is a relative of a member of the selection committee, an officer or director of the organization, or a disqualified person.

The scholarships are paid directly to the student upon verification of college registration and enrollment as a full time student and receipt of a copy of their class schedule or paid tuition receipt. If the scholarship recipient fails to provide proof, they will be disqualified and the award will go to another applicant. To prevent misuse of funds, the recipient will sign a statement acknowledging that they will use the scholarship funds for school needs.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, and establish the amount and purpose of each grant.

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

Enclosure: Notice 437