

**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
Y= Organization
b= amount
c= 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 August 27, 2010.

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

You will operate a grant-making program in which needy individuals may attend post-secondary school. The purpose of the grant is to award need based scholarships for students who the grant committee believes will provide public service to the community for many years to come.

You have arranged with two organizations that serve relatively broad based communities that would include significant numbers of potential applicants to make known the availability of your scholarship program. The scholarship program will be publicized through X and Y. X serves the new immigrant community in the area. Y extends its public services throughout the area, has programs for homeless families and provides social services.

The selection committee will be made up of three members who are professional people within the community. Two of the three members are independent and cannot be your officers or board members or relatives of your officers or board members. An effort is made to select persons with appropriate expertise. The current committee members were chosen for their experience of higher education and of being a recipient of public interest fellowships. You hope that outside committee members would in the future bring similar expertise in both higher education and public interest.

The selection process will be nondiscriminatory and objective. Family members, employees or the family members of an employee who is a member of the grant committee will not be eligible for any grant.

Candidates will be proposed by various religious and civic organizations which would find out about such grants through public display of your tax return, as well as direct verbal and written communication to civic and religious groups. Applications of candidates would be reviewed by the three person grant committee. You expect the number of applicants for the grant to be around 2,000 persons annually. X has approximately 1,100 people who have children eligible to apply. Y has over 750 families with children eligible to apply. The range of the grant money to be awarded would be between b and c. The amount of the award within this range would be based on how much money the recipient may receive from other sources.

Review of the applications to establish financial need is conducted by the outside committee members. Need is based upon the combined income and assets of the parents and applicant and is only to be considered after an applicant has received a final determination of any financial aid and loans to be made available by the educational institution and other sources. The guideline for need is that the average family income for the preceding two calendar years is less than three times the poverty guidelines for the 48 Contiguous States and the District of Columbia established by the Census Bureau. Applicants will be required to furnish their tax returns for the preceding two years as well as all financial aid applications submitted to the educational institution.

The committee requires prior academic transcripts to measure prior academic performance as a predictor of future performance and success in the program. The committee will look to the goals of the applicant upon graduation and the degree to which they are consonant with the foundation's goal to assist those who will undertake work in public service. The committee will look to the level of financial assistance required by the applicant. The goal is to maximize the utility of the grants to enable the greatest number of applicants to obtain higher education. The committee may take into account the number of other siblings in the family attending a post-secondary school for which the family maintains financial responsibility.

Applicants will be required to include in their application their high school and/or prior college transcripts, an essay describing their anticipated public service, and other basic information regarding the anticipated course of study. The committee will use need as the primary filter and, where a decision needs to be made between similarly situated applicants, shall make an assessment based on the other information provided in the application to determine which candidate will likely provide the greatest public benefit upon graduation.

All proposed grant recipients would be required to include in their application an essay of more than 750 words explaining how the degree program for which scholarship assistance is being sought will further the public interest. Such applications would be reviewed by the committee on a continuous basis and grants would be awarded based on the needs of the applicant as well as your financial position. In year one you would like to start with one or two grants and increase recipients based on your financial position. At no time would the grants exceed twenty percent of your total disbursements in a single calendar year. Grant awards will be paid directly to the educational institution. Any excess funding will be refunded back to you. Therefore, none of the grant will be gross income to the recipients. Recipients cannot be related to a selection committee member, one of your board members, or one of your officers.

Recipients will be notified by letter should they receive the scholarship. If a recipient wishes to renew the scholarship, he/she would have to reapply following the initial grant process but would have to explain the continuing education, rather than submit a second essay. Receipt of a grant one year does not assure renewal, though the goal is to see the recipients obtain a college degree.

Recipients receiving a grant will be asked to submit a copy of their transcripts after each semester and comply with a minimum GPA of 3.0. Any failure to provide such documentation or to comply with minimum GPA requirements will result in a one semester probation. A second offense will result in a revocation of any remaining grants. Any recipient willfully diverting funds for improper usage will be required to refund all previous grant money and will be prosecuted to

the highest extent of the law possible. You will retain all documentation of each grant for a period of ten years from application.

Applicants will sign and date an agreement acknowledging they understand in the event they receive the scholarship from you that you request they perform a year of public service following their graduation for which the scholarship was given. However, such service is not a requirement or a condition for receiving the scholarship. The agreement also states that recipients understand they must maintain a GPA of 3.0 or equivalent.

You will maintain a file on each recipient containing the applications and the recommendations of the grant committee. You will also maintain a copy of these files with your Certified Public Accountants who will be responsible to assure you are complying with relevant record keeping requirements.

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,

Lois G. Lerner
Director, Exempt Organizations