

**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:

UIL: 4945.04-04

LEGEND

C = Number

D = Number

E = Number

F = Number

Z = Name

x dollars = Amount

y dollars = 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 July 6, 2011.

Our records indicate that you are 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).

Your letter indicates that you will operate a grant-making program, Z, for students attending an educational institution described in Section 170(b)(1)(A)(ii) of the Internal Revenue Code.

You will award D scholarships each year typically in the amount of x dollars. However, this may range from y dollars.

The awardees will be chosen by a selection committee, which consists of your directors. Family members and relatives of the selection committee members and members of your board of directors will not be eligible for scholarship grants. The members of the selection committee and members of the foundation's board of directors will not be in a position to derive a private benefit directly or indirectly if certain potential grantees are selected over others.

You will not use an application form. Instead, you will receive written nominations from rabbis, priests, prominent community leaders and educators regarding potential awardees. After receiving a nomination, you will request a phone conversation with the nominator to understand why he or she is recommending the individual. You will request a Free Application for Federal Student Aid (FAFSA) form from each potential awardee to assist in determining financial need.

The selection committee then meets to review each request, considers the funds available and determines if a grant should be awarded. During the review of the nomination, the selection committee considers prior academic performance, leadership, and involvement in community activities, financial need, and the potential awardees' commitment to their religious background. First priority will be given to those who otherwise would not have the financial means to attend a private high school or university.

You vet potential awardees before making grants and carefully scrutinize potential awardees to assess the seriousness of their academic intentions. With nominations coming from rabbis, priests, community leaders, and teachers, the nominators know the potential awardees well and understand you are relying on their recommendations. Your process considers each nomination on a stand-alone basis.

Your awards are on a one-time basis but recipients may be renominated by a pastor, rabbi, community leader or other educational or religious leaders or individuals and may obtain a subsequent scholarship for an additional year.

Given your longstanding existence, you will rely primarily on word of mouth to generate sufficient inquiries each year. Nominations will spread to other parts of the country, as Z becomes better known. The potential class of nominations includes thousands but you expect between E nominations, but never more than F.

You do not require nominators to identify potential awardees by any particular date. You receive most nominations and inquiries regarding your program during the spring and summer before the beginning of the school year. However, you will accept nominations on a rolling basis as they are received. You only distributed funds as the beginning of an academic period. You will not provide funds in the middle of an academic period (i.e. semester or quarter) even if that is when the nomination is received and approved.

You will issue awards directly to the qualified recipient's educational institution. The award check will be accompanied by a letter specifying the purpose for which the award may be expended such as tuition, books, or room and board. The letter will also require the institution to supply you the reports necessary to supervise the scholarship program.

You also expect informal post grant information from the nominators, awardees, or appreciative family members of the awardees. Awardees are asked to keep you informed of their status at their educational institution. If the awardee leaves the institution, they are to notify you.

If you determine that any part of the scholarship grant has been used for improper purposes you will take all reasonable and appropriate steps to insure the restoration of diverted grant funds.

You will maintain case histories including the names, addresses, amount of the grant, the purpose of the grant, the manner of selection, and follow-up information from the educational institutions and the awardees.

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(k)(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,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements