

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

Department of the Treasury

Number: **201813021**
Release Date: 3/30/2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: January 3, 2018

LEGEND:

m dollars = award amount
n dollars = award amount
p dollars = award amount
Z = contest name

UIL:

4945.04-04

Dear :

You asked for advance approval of your scholarship and educational grant procedures under Internal Revenue Code Sections 4945(g)(1) and 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding scholarships and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under the scholarship grant program are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

Description of your request

You will operate two different awards programs. Each is described below according to qualification under Sections 4945(g)(1) and 4945(g)(3).

4945(g)(1) Program

You will operate a scholarship program awarding funds to be used at an educational organization described in Section 170(b)(1)(A)(ii) of the Code. This will be done through a contest, currently offered as the Z, publicized through a specifically created website. Applicants, who must be a senior in high school or a current college undergraduate within the time frame of Z, will have the option to apply by essay or video submission. You do not anticipate Z to be done annually, but a similar contest will be offered again.

Applicants must include the following with their submission:

- Name
- Email address
- Name and address of their accredited academic institution
- The essay or video topic addressed
- How they heard about Z
- Whether they would like to receive emails about the results of Z
- Whether they would like to receive emails about your books and other initiatives

Recipients are selected by your President, designee, Board of Trustees, or by one or more judges you select. You also may engage independent experts to assist in identifying the most promising candidates working and studying in your fields. Recipients are selected based on academic credentials, professional accomplishments, the nature of their research and other criteria reasonably related to the purposes of the grant and without regard to a candidate's race, religion or gender.

Your trustees, officers, or any disqualified person as defined in section 4946(a) of the Code (with respect to you) are not eligible to receive awards. Also, your trustees or any other person who participates in the selection of recipients will not participate in the selection if the individual would be in a position to derive a private benefit, directly or indirectly, if a certain candidate is selected over other candidates.

The terms under which your scholarships are awarded include the purpose, amount, timing, and required reporting. When grantees have observed all the terms of their award, and have otherwise performed satisfactorily, you may renew them upon the same or different terms. Your scholarships are awarded pursuant to the written terms as established in advance of the public announcement of the prize or award program.

Amounts of your scholarships will generally be m dollars for third place, n dollars for second place, and p dollars for first place winners. Scholarships will be awarded to the winner through the financial aid office of the eligible accredited academic institution that the winner is or will be attending to be used towards tuition, fees, books, supplies and other equipment required for study.

Scholarship recipients will file as applicable at least annually the courses taken and grades received, and research papers or projects and a brief report approved by a supervising faculty member or other university official on the progress of the paper or project. Scholarship or fellowship recipients must also file a final report upon completion of study at an educational institution.

You investigate circumstances indicating that your grant procedures are not being properly applied and you withhold further payments to a grantee pending the outcome of the investigation. You will take all reasonable and appropriate steps to recover grant funds or ensure the restoration of all diverted funds and other funds held by the grantee until you have determined no further diversions will occur.

You will retain all records pertaining to awards of grants, including names of grantees, amounts and terms of grants, and any reports submitted by grantees, for no less than six years after the filing of your annual tax return for the period in which such grant was paid.

4945(g)(3) Program

This program will be designed around a theme based on your charitable purposes to promote and encourage progress in new spiritual information and research. Applicants will be asked to submit proposals for specific projects that would further that theme as it relates to your purpose, for example, authoring a book on one of these topics.

Solicitation materials for your grant program will generally include a description of the program's charitable theme. Parameters for the program will also be included on these materials such as permissible award amounts, application instructions, evaluation criteria and terms and conditions. You expect to publicize your program by creating a website and proactively reaching out to potential applicants working in the relevant program area.

Applicants will be asked to submit a project proposal related to the program's charitable theme, a description of the specific project they intend to complete with the funds, and how the project will address the charitable theme of the grant as well as further your charitable purposes.

The applicant must also include a proposed grant period and timeline with specific reporting deadlines in which the grantee must submit written reports to you about the use of funds, including a proposed budget. Recipients of grants must file an annual (or more frequent report) of the use of funds and the progress made toward achieving the purposes of the grant. A final report upon completion of the undertaking funded by the grant that describes the accomplishments with respect to the grant that accounts for the funds must also be filed.

Grant funds are intended to cover all reasonable expenses related to the purpose of the grant. You will examine the proposed budget of each grant to determine if it is reasonable. Grants will typically cover expenses such as stipends, room, board, travel, research, supplies, and equipment incidental to the purposes of the grant. Grants may not be used for any other purpose without your consent. Grants may be renewed on a case-by-case basis depending on the status of the project.

You investigate circumstances indicating that your grant procedures are not being properly applied and you withhold further payments to a grantee pending the outcome of the investigation. You will take all reasonable and appropriate steps to recover grant funds or ensure the restoration of all diverted funds and other funds held by the grantee until you have determined no further diversions will occur.

You will retain all records pertaining to awards of grants, including names of grantees, amounts and terms of grants, and any reports submitted by grantees, for no less than six years after the filing of your annual tax return for the period in which such grant was paid.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements