

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

Department of the Treasury

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Contact Telephone Number:

LEGEND

**M = Organization Name
N = Grant-Making Program
P = Name of High School
Q = Name of Program
x = Dollar Value of Scholarship**

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 September 30, 2008.

Our records indicate that you, M, hereafter 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).

Your letter dated September 30, 2008 indicates that M will operate a grant-making program, called N.

The purpose of M is to encourage students to engage in volunteer service and provide them with educational opportunities that might not otherwise be available to them.

M through its N offers educational grants to graduating seniors at P in the form of renewable scholarships for post-secondary education. These grants provide additional funding to help low income students at P with tuition, fees, books, or any other education related costs at a post-secondary school.

The criteria to determine eligibility for the grants are:

- The individual must attend or have graduated from P.
- The individual must have participated in Q for four (4) years.
- The individual must have been accepted to a college, university, community college, or technical school.
- The individual must have provided voluntary services to the community.
- The individual must have a financial need.

Recipients are selected based on the eligibility criteria listed above. In their grant request, the applicant must detail their funding need, the post-secondary school they plan to attend, their prior volunteer service activities, and the purpose(s) and manner in which the grant will be used.

The number of scholarships awarded is based on financial need of the individual, the average cost of tuition at the institution attended, and the leadership demonstrated by the student throughout their volunteer service. The average amount of each freshman scholarship is x dollars, with additional funds distributed to recipients incurring higher educational costs.

Potential recipients must submit an application form and provide supporting documentation to be considered for a grant. Faculty members at Q first screen the application to determine whether the applicant meets the grant criteria. The selected applications are sent to M, where its scholarship committee interviews the applicants and determines the amount of funding to be granted to each recipient. As part of the program, neither relatives of members of the selection committee nor relatives of M's board of directors are eligible for grants.

The grant recipient must meet the following requirements in the first year of the grant in order to receive funding from M.

- The recipient must maintain a 2.7 GPA.
- The recipient must be enrolled for a minimum of twelve (12) hours per semester.
- The recipient must perform a minimum of twenty (20) hours of community service.

In order to seek renewal of the grant, the recipient must meet the following requirements in order to continue receiving funding from M.

- The recipient must submit a scholarship renewal request.
- The recipient must maintain a 2.75 GPA.
- The recipient must be enrolled for a minimum of twelve (12) hours per semester.
- The recipient must perform a minimum of twenty (20) hours of community service.
- The recipient must submit a letter of recommendation from their professor.

M maintains records case histories of all grants and the payments from M are made directly to the school in which the recipient is enrolled. As part of the program, the student is required each semester to submit to M proof of volunteer service and copies of their grade reports. This information provides M with verification on whether or not the recipient has met the grant requirements listed above. In the event that the recipient is not enrolled for the required number of hours or is not in good standing with the school, the grant funds will be returned from the school back to M.

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).

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.

We have not considered whether grants made under your procedures are excludable from the gross income if recipients under section 117(a) of the Code.

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,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements