

**Internal Revenue Service
P.O. Box 2508, Room 7008
Cincinnati, OH 45201**

**Department of the Treasury
Exempt Organizations
Rulings and Agreements**

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Release Date: 6/26/09

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

(phone)

(fax)

UIL# 4945.04-04

Legend

B= Education Program
C= Children's Home
D= Church
F= Scholarship Organization
G= Religion
J= Website
K= Date
X= Fund
Y= City, State
Z= University

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 April 18, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and was previously a supporting organization under IRC § 509(a)(3). X was converted to a private foundation, as defined in section 509(a), by provision of the Pension Protection Act of 2006 on August 17, 2006. The programs were previously operated by X during the period when it was classified as a supporting organization under IRC § 509(a)(3).

The purpose of X is to provide scholarships. Your letter indicates that X will fund and operate two scholarship programs.

First Program

The first program is to provide scholarships to graduates of high schools in Y to attend Z. Recipients are to be chosen by an awards advisory committee composed of the trustees of X, the senior minister of D, and the superintendent of schools located in Y, provided, however, that should the committee fail to agree unanimously upon any said recipient in any year, the decision of the trustee of X shall govern.

The program is administered by F, an independent, non-profit scholarship administration service.

The criteria for applicants under this program is that they must; (1) be high school seniors at Y high schools, who will be entering college as freshman in the fall, (2) be planning to attend Z, (3) demonstrate academic achievement and financial need, and (4) demonstrate traits of high personal character and leadership.

Certain individuals are not eligible to apply for scholarships under this program. They include the trustee of X, any awards advisory committee member, the spouse, ancestors, descendants, or spouse of an ancestor or descendent of any awards advisory committee member. Further, employees of the trustee of X and employees of F and the spouse, ancestors, descendants, or spouse of an ancestor or descendent of such employees shall not be eligible to apply for or receive any scholarship offered by X. The term "descendent" includes children, grandchildren, great grandchildren, etc.

In February F will prepare and mail memos and flyers to the guidance counselors at high schools located in Y. Students wishing to apply online will be instructed to go to J. Students wishing to submit paper applications should contact F. There is additional material required to complete both the online and paper applications. Guidelines and instructions for completing the application are on the website and included with the paper application. It is the responsibility of the applicant to provide these materials in a timely manner.

Eligible applicants must complete and submit a scholarship application along with additional required information. The additional information required includes an official high school transcript, a letter of recommendation from a high school teacher, a one-page essay regarding why the applicant qualifies for the scholarship, a separate page detailing academic honors, leadership, community service, etc., and a signed copy of federal income tax forms and W-2 forms for both parents for the most recent year a return was filed. The application may be submitted either online or in paper format. The deadline for the application and additional materials, regardless of how it is submitted is K. All materials must be mailed in one envelope. Incomplete applications will not be considered.

The awards advisory committee shall give consideration to the respective ability, educational goals, career ambitions, and the relative financial need of the applicants as deemed appropriate by the committee. This is a competitive scholarship program. Scholarships shall be awarded on an objective and non-discriminatory basis. Race, creed, color, sex, age, religion, national origin, nor disability will be considered. Selections are based on information received from the applicants and committee decisions are final.

The number of recipients and the amount of the scholarships will be based on the market value of the scholarship fund assets each year as determined by the trustee of X. The award will be applied to tuition, books, fees, and costs and should not exceed these costs. Checks will be issued directly to the college for the benefit of the recipient upon receipt of the required information. Funds not credited to the recipients account must be reimbursed to X.

The scholarship is renewable for three additional years or until a bachelor's degree is awarded, whichever is earlier. Current recipients will receive renewal instructions in the mail. The scholarship will be considered for renewal based on the recipient maintaining a minimum cumulative GPA of 2.5 at the end of the freshman year and a minimum cumulative GPA of 3.0 thereafter. A GPA falling below the required minimum at the end of any semester will result in permanent loss of the scholarship.

Grade reports will be required at the end of the fall semester. The grade report must reflect the name of the student, the name of the college, and the student's social security number. It is the responsibility of the student to request the grade report. An official transcript will be required at the end of the spring semester. The grade report must reflect the name of the student, the name of the college, and the student's social security number. It is the responsibility of the student to request the transcript. Students withdrawing from college must provide F with a written explanation.

In the event of serious malfeasance, breach of traditional conduct, failure to provide required materials, or conduct involving moral turpitude, a scholarship may be terminated at any time within the discretion of the awards advisory committee, whose decision shall be final and binding.

Second Program

The second program is to provide scholarships to graduates of the B program of C who attend or desire to attend a college approved by the trustees of X. This scholarship is one of several such awards made by the Higher Education Committee of C. Potential recipients of this particular scholarship chosen by the Higher Education Committee of C also require approval of the trustees of X, the senior minister of D, and the director of C, provided, however, that should the committee fail to agree unanimously upon any said recipient in any year, the decision of the trustee of X shall govern.

To be eligible for a scholarship, an applicant must have successfully completed any of C's programs. The applicant must have a record of good character and citizenship while in the care of C. The student must plan to attend a school, college, university, or other educational institution approved by the Higher Education Committee of C and the trustees of X. The student must have a demonstrated need for financial assistance, maintain an acceptable scholastic average while receiving funding, and remain in frequent contact with his or her assigned committee member.

In addition to these conditions of eligibility, the student must submit a written application to the Higher Education Committee of C and have been accepted into the education institution indicated on their application. All students must first apply for federal, state, or local grant, scholarship, or financial aid monies. Applications and recommendations are to be made prior to the academic semester for which assistance is applied.

The funds are generally made directly to colleges, educational institutions, or related businesses on behalf of the student. The awards are targeted primarily toward tuition and associated fees related to post high school educational goals. Awards are made based upon demonstrated need and academic performance. The amounts are based upon the availability of funds. Should the number of qualified applicants exceed the availability of funds, then the awards will be made on a competitive basis involving committee review of need, scholastic achievement, and character.

The Higher Education Committee of C reviews applications, progress in studies, and approves all financial awards. The funds are intended to supplement governmental financial awards and any other financial assistance. The student must submit grades and maintain good contact with his or her assigned committee member.

Should a student drop courses without discussion with his or her assigned committee member, he or she may be required to take an equivalent number of courses at his or her own expense before being eligible for continued funding.

For either program, no scholarships may be awarded to any individual who is related by blood, adoption, or marriage to any member of the selection committee or any disqualified person of the trust (as defined in IRC Code Section 4946) as a first cousin or nearer relative. Also, a selection committee member may not benefit, directly or indirectly, from selecting certain scholarship recipients over other potential scholarship recipients. Scholarships are renewable annually at the discretion of the selection committee.

The trustee will maintain case histories showing recipients of scholarships including names, addresses, purposes of awards, amount of each award, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to the trust.

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

Enclosures
Notice 437
Redacted copy of letter