

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

**Department of the Treasury**

Number: **200929018**  
Release Date: 7/17/2009

**Employer Identification Number:**

**Date: April 22, 2009**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

M = Organization Name  
N = Organization Grant-Making Program  
P = Foreign Cities  
Q = Foreign Country  
R = Foreign Business  
S = United States College  
x = Estimated Low Number of Grants Awarded  
y = Estimated High Number of Grants Awarded

UIL Number: 4945.04-04

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 May 3, 2008.

Our records indicate that M was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter dated May 3, 2008 indicates that M will operate a grant-making program, called N.

The purpose of M is to conduct a cultural exchange program for students in Q, which provides educational opportunities to these students in the United States.

The purpose of N is to provide educational grants to students in Q to cover tuition, fees, books, and other costs related to their education at a secondary school in the United States. Grant recipients are placed with a host family or boarding school in the United States, as chosen by the Selection Committee of M.

The criteria to determine eligibility for the grants are:

- The individual must be either attending school in the P areas of Q, or be the child of an employee of R.
- The individual must have completed the ninth grade and speak English at a level sufficient to ensure successful training in the United States.

The Selection Committee of M conducts personal interviews with individuals who meet the eligibility requirements listed above and have completed the grant application form. After conducting the personal interview, M selects grant recipients based on the following criteria.

- The applicant must have sufficient English skills to allow the individual to actively participate in a classroom situation.
- The applicant must have sufficient home skills to allow the individual to take up a useful and productive position in a host family atmosphere.
- The applicant must have the personality and maturity to allow the individual to make a successful transition to a host family situation.

M stated that they will award between x and y grants annually. The annual number of grants awarded is varied based on the following factors:

- The number and amount of grants awarded in previous years that are renewed in the current year,
- The number and amount of new grants awarded in the current year, and
- The cost of tuition and other expenses of the institution attended

Potential recipients must submit an application form and provide supporting documentation to be considered for a grant. The Selection Committee of M reviews the application forms and conducts personal interviews with qualifying applicants. After completion of the interview process, grant recipients are selected and grant amounts are determined by the Selection Committee. Given the nature of the program, it neither appears that relatives of Selection Committee members, nor relatives of M's board of directors are eligible for grants.

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

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

M maintains records of case histories of all grants. Payments from M are made directly to the school in which the recipient is enrolled or to the recipient's host family to cover expenses. The grant recipient is required to stay in school and maintain a passing average. Dismissal from a school by the school's authorities will result in the grant recipient being repatriated to the recipient's home country. Grants are made annually by M, and thus there is no long-term financial commitment by M to the grantee.

In addition to its grant-making activities for individuals in secondary school, M assists prior recipients in selecting colleges or universities. M assists recipients with the admission process, completion of financial aid forms, and also arranges separate financial aid packages. These financial aid packages are assembled through networking and by working with college and university financial aid officers, scholarship committee representatives, and benefactors to M. Due to a lack of financial aid for foreign students at United States colleges, M guides prior recipients to colleges offering reasonable education at affordable costs. As a result of M's program, two (2) scholarships have been established at S by R.

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