

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

**Department of the Treasury**

**Employer Identification**

Release Number: **200950050**  
Release Date: 12/11/09  
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**Contact Person - ID Number:**

**Contact Telephone Number:**

UIL 4945.04-04

## LEGEND

X= Name of organization  
Y= Name of selection committee

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated January 30, 2009, with a postmark date of January 30, 2009.

Our records indicate that X 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 indicates that X will provide grants to individuals for travel, study, or education, to accomplish a goal that is meaningful to the grantee and to his/her surrounding community. After individuals are identified as potential grant recipients, they are asked to provide information regarding their financial need, as well as the proposed goal/purpose of the grant. Qualified applicants would be children who have demonstrated a unique aptitude for (or interest in) a particular activity, such as swimming, dancing, music or climbing. If X determines that these children cannot afford lessons and further determines that such lessons would benefit the children by developing their talent, increasing their self-esteem, and encouraging productive activities outside of their schools, then X may provide direct financial assistance to these children for the purpose of paying for the lessons. X may learn of children who have exhibited talent in a particular area, but cannot afford access to necessary facilities or equipment – in this event, X may take steps to fund the availability of facilities or equipment for this group of children. X also may learn that an educational trip is available for a particular group of children or young adults. If X believes that the trip would serve a significant educational purpose for the children and X determines that some or all of the children in the group cannot afford to pay for the trip, X may provide financial assistance to these children for the purpose of participating in the trip. X may learn that a particular child has shown significant and ongoing learning difficulties. Upon confirming these difficulties and upon making a

determination that the child's family cannot pay for additional schooling or educational assistance, X may provide financial assistance to the family for the purpose of providing a special tutor for the child.

X will select volunteers called Y, who are individuals within the community who are in the best position to understand and address particular community needs (including the needs of children and young adults). These individuals will identify potential grantees, collect information regarding potential grantees, and make recommendation to X's Board of Trustees. X's Board is made up of individuals who have significant and ongoing interest in promoting the well-being, talents, education and overall happiness of children and young adults. X does not make any of the grants to family members or relatives of X's officers or Trustees. Furthermore, X does not make any of the grants to any family members of the Board of Selection or to any individuals that have a past or present business relationship with X's officers or Trustees.

After individuals are identified by the Y as potential grant recipients, they are asked to provide information to X regarding their level of financial need, as well as the proposed goal/purpose of the grant. If an individual proposes a particular trip, lesson or activity, X makes an objective determination of the inherent educational and/or community value of the proposed activity and its end result. If X's Board of Trustees determines that a particular grant and the resulting activities will have a significant, positive and meaningful impact on the individual and the community, and the individual has demonstrated legitimate financial need, then X will make a grant to that individual.

Under the terms of the grant, the individual is only able to use the grant funds for the particular activity approved by X. X may require any individual who receives a grant (or family whose child receives a grant) to produce one or more interim reports to X during the course of the designated activity. X will have the discretion to require any individual who receives a grant to produce a summary report after the completion of the designated activity. The summary report will require detailed explanations of the activities undertaken and how they enhanced the education, talents, or skills of the intended individual.

Upon learning of any possible misuse of funds, X will investigate such possible misuse. For any situation where X is making periodic grant payments, X will cease disbursement of additional funds during its investigation of possible misuse, and will attempt to recover any funds that are ultimately determined to have been misused by the grant recipient or his/her family. Where all grant funding has taken place at the onset of a trip or activity, and X learns of misuse of funds, X will take legal action to retrieve the funds awarded.

X agrees to maintain records that include:

- The qualifications of potential grantees (financial need, intent to pursue approved activities);
- The identification of the grantees and their families;
- The amount and purpose of each grant;
- All follow-up information received by X

- And all grantee reports and other follow-up data obtained in administering X's grant program.

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, effective January 30, 2009, 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, effective January 30, 2009 constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) 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 of 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.

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