

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

Department of the Treasury

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Release Date: 4/17/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

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LEGEND

UIL: 4945.04-04

M = State
N = State
P = Number
V = Scholarship Program
X = Grant Program
Y = Tax-Exempt Organization
Z = Sports Program

Dear _____ :

You asked for advance approval of your scholarship grant procedures and educational grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships and educational grants. Based on the information you submitted, and assuming you will conduct your programs as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1) and that your procedures for awarding educational grants meet the requirements of Code section 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

Your purpose is to educate the public in horsemanship, encourage education of younger people in horsemanship and advance the welfare of horses.

4945(g)(1) Scholarship Program

Your letter indicates you will operate a scholarship program called V.

The purpose of V is to provide scholarships to high school graduates pursuing a degree in an _____ related field.

You will publicize the program through your website and through other organizations and institutions of higher education where you currently have a relationship.

You have not yet developed solicitation or announcement materials.

Applicants are requested to describe their future educational goals and plans in the area of _____ science, studies or related field. Applicants are also requested to include information such as their previous equine activities, need for financial assistance, and how their future educational goals may not be achieved without your financial assistance. Applicants may attach documentation demonstrating their financial need, such as income tax returns or any other information they believe would assist the committee in making its decision.

High school graduates seeking to pursue a career in an equine related field are eligible for the scholarships. The educational grants or scholarships will be provided to assist individuals in pursuing a degree in their field of study.

The selection criteria for the scholarship will include, but not be limited to, the student's demonstrated academic ability and desire, character, good citizenship, and economic necessity. A recipient cannot be related to a member of the committee or to any 'disqualified person' in relation to you.

Scholarships will be awarded on a per semester basis for an academic year and issued directly to the academic institution.

Progress reports will be obtained and verified with the educational institution each semester. Upon completion of the field of study, a final report will be collected from the grantee.

If reports are not filed by the grantee, or if reports indicate that the funds are not being used in furtherance of the scholarship purpose, a member of the board of directors will investigate the grant. While conducting this investigation, you will withhold any further payments from the grantee and will take reasonable steps to recover grant funds until you have determined the funds are being used for their intended exempt purpose.

You will retain all records submitted by the grantees and their educational institution. In addition, you will obtain and maintain in your records evidence that no recipient is related to the foundation or to any members of the selection committee.

The selection committee will be composed of the officers and members of your governing body. Members of the selection committee will not be in a position to receive private benefit, directly or indirectly, if certain potential grantees are selected over others.

4945(g)(3) Travel Grant Program

Your letter indicates that you will operate an educational grant program called X.

The purpose of X is to assist individuals with travel costs associated with their participation in the Z of Y. Y, a 501(c)(3) tax-exempt organization, has a Z that is designed to identify and nurture talented young riders (ages 21 and under) and provide them with support and assistance in becoming complete horsemen. The main component of this program is a series of regional clinics held throughout the country each summer. Each of these clinics, which are held over four days, are attended by approximately P participants. Attendees have an opportunity to work with top riding clinicians and some of the country's leading stable managers. Riders and horses participating in regional clinics are instructed on flatwork, gymnastics, related distances and course work, as well as receiving an intensive stable-management curriculum that incorporates proper care and grooming, horsemanship skills and barn management. Riders also complete a written test.

You will provide grants to individuals to subsidize travel costs for youth from M and N participating in Z and who demonstrate a need for assistance.

Since you are awarding travel grants to individuals based on their acceptance into the Z, the information on the travel grant application will be e-mailed to the youth athlete upon acceptance into the program. You also anticipate Y promoting the availability of the financial assistance to the athletes accepted into program.

Applicants must describe their need for financial assistance, and why they would not be able to attend the Z without financial assistance. Applicants may submit documentation demonstrating their financial need such as income tax returns.

Any individual related to a member of the grant selection committee or to any disqualified person in relation to X is not eligible to apply for the assistance.

Since a limited number of individuals are accepted into the Z, you anticipate providing grants to up to P individuals.

The amount of the travel grant will be based upon the financial need of the individual. You anticipate providing the payment to the individual only after the appropriate receipts for incurred expenses are provided to you.

Grantees are required to agree to expenditure responsibility disclosures that include a written summary of the activities and how the funds were spent. Because of the short

timeframe between the selection by Y of regional clinic participants and the actual clinic, it is anticipated these grants will be issued as reimbursements after proof of travel expenses and applicable receipts are provided.

You only anticipate payment will be made upon receipt of the applicable receipts, subsequent follow-up is not anticipated. Should any grants be made in advance of the recipient incurring the expenditures, you will require documentation for the use of the payment. You will follow up with the recipient to obtain the documentation.

You will retain all records submitted by the grantees. In addition, you will obtain and maintain in its records evidence that no recipient is related to the foundation or to any members of the selection committee.

The selection committee will be composed of the officers and members of your governing body. Members of the selection committee will not be in a position to receive private benefit, directly or indirectly, if certain potential grantees are selected over others.

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 programs 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 programs 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,

Director, Exempt Organizations