

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

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

Y= grant program name
w= number of awards
x= \$ amount

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 31, 2011.

Our records indicate that you 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 indicates that you will operate a grant-making program called Y and that it was established to provide fellowship grants to professional journalists and scholarship grants to students to encourage coverage of topics of concern to low-income families and the effect of public policy on low-income families.

The fellowship and scholarship recipients will be expected to produce an article or feature story that provides a low-income family perspective on public policy, deepens public understanding of the effect of policy on the lives of low-income families, and increases public dialogue on issues of poverty and the economic stability of families. You anticipate that you will ask that the article or feature story be on one of the following topics: (1) systemic failure of social structures and its impact on families in the area of education, jobs, immigration, housing, health care, child care, or criminal justice reform; (2) the recession's long term effects on families and whether the recession is creating a new class of poor people; or (3) the role of policy in the lives of families with respect to budget cuts, budget priorities, taxes and tax credits.

You will publicize the program, eligibility requirements, and application on your websites, your newsletters, through other media and journalism related websites, through academic institutions and/or college administrators, and elsewhere.

Each year you plan to award w fellowships and w scholarships of \$x each. The fellowships and scholarships will be awarded to each recipient as a stipend for their time and to assist the recipient with travel and research expenses incurred during the term of the fellowship project. You anticipate over 100 applicants for both the fellowships and scholarships.

Y will be open to professional journalists and students who have demonstrated interest in social issues affecting low-income families. To be eligible for the fellowships, applicants must: (1) have at least three years' experience working in print or electronic journalism, (2) have a demonstrated interest in social issues affecting low-income families, and (3) have a signed commitment from his or her news organization to publish the applicant's story or feature article, as required by the fellowship terms. To be eligible for the scholarships, applicants must: (1) currently be pursuing a career in journalism; (2) have at least one year's experience working in the field of journalism, (3) have a demonstrated interest in social issues affecting low-income families, (4) have produced at least three published articles or radio or TV productions in the last two years, and (5) have a signed agreement with a news outlet to publish the student's story or article, as required by the scholarship terms.

Fellowship and scholarship applicants will be required to submit an application and supporting materials to the Communications and Advocacy Committee, a committee composed of 3 members of your Board of Directors, with authority for administration of the grant program. Some of the supporting materials you expect to require applicants to submit with the application are: (1) a current resume; (2) an essay describing the applicant's reasons for applying for the fellowship or scholarship, outlining the proposed story/article and timeline for publication, discussing the significance and timelines of the proposed topic, and describing how the article/story may change public attitudes about poverty; (3) samples of the applicants' work; (4) letters of recommendation from persons familiar with the applicants' work; and (5) in the case of fellowship applicants, a letter of support from the applicant's publisher, editor, producer, manager, or director. Applicants will be required to disclose any familial (either legal or blood) relationship they have to any disqualified person with respect to you, including any member of the Communications and Advocacy Committee. Any applicant having familial relationship to any of the foregoing individuals will be disqualified from further consideration.

In the administration of your grant program the Communications and Advocacy Committee will be responsible for: (1) establishing applicable terms, eligibility requirements, selection criteria, and applications forms; (2) reviewing applications and supporting materials and rating applicants; and (3) making recommendations for the awards to the Board of Directors for approval. Committee members are qualified to judge the applicants because members of your board of directors are diverse and distinguished individuals with national and international reputations for their commitment to public service, social justice and strengthening the voices of low-income families.

In order to select the recipients of the awards, you will require fellowship and scholarship applicants to meet the previously listed eligibility requirements. Other

criteria you may use to select fellowship and scholarship recipients may include: (1) financial need; (2) professional ability or achievement; (3) recommendations from others familiar with the applicant's work; (4) letters of support from the applicant's publisher, editor, producer, manager, or director; (5) conclusions that the Communications and Advocacy Committee may draw as to the applicant's motivation, character ability, or potential; (6) evidence of other special talent; or (7) geographic area covered by the applicant.

You will not consider an applicant's race, color, creed, religion, disability, or national origin in selecting fellowship or scholarship recipients. You may impose additional, reasonable restrictions on the group of potential fellowship or scholarship recipients where such restrictions are particularly calculated to effectuate the charitable purpose of the fellowship or scholarship, rather than to benefit particular persons or a particular class of persons. Such reasonable restrictions may include: (1) a particular area of study or vocation; (2) a particular educational institution or program; or (3) certain geographic restrictions.

You have no restriction regarding geographic location in which the applicants live and/or work and hope that award recipients will be diverse in terms of the geographic locations covered by or reflected in the stories they write, and that the stories will be relevant to national policy issues. A "restriction" could be that if you selected a recipient who proposed to write a story that highlighted a policy issue of a particular concern to residents of a particular region, then you might be more likely to choose a second recipient whose proposal focused on a story grounded in another region of the country.

The Communications and Advocacy Committee will rate applicants under the selection criteria using a point system and will award fellowships and scholarships to applicants with the highest cumulative point totals. The selection committee will use an Evaluation Tool to rate the criteria of the applicants. The Evaluation Tool will focus on the applicants' skills and experience that are relevant to their ability to further your mission by effectively reporting on one or more issues of concern to low-income families. The selection process will focus on criteria such as:

1. The quality of the proposed project. – Based on the applicant's essay, will the project advance the issues affecting low-income and working families? Is the proposal timely and newsworthy? Does the applicant demonstrate a clear understanding of how public policy affects families? Does the applicant clearly articulate the focus of his/her work and the desired impact?
2. Qualifications. – Based on the applicant/s resume, samples of published work and letters of recommendation, does the applicant demonstrate ability to report on issues affecting marginalized communities? Does the applicant have established relationships in these communities?
3. Dissemination. – Based on the applicant's essay, does the applicant articulate a clear strategy for dissemination of the story?
4. Quality of Writing. – Based on the essay and samples of professional work, is the writing clear, concise and accessible to a wide audience? Is the writing compelling and persuasive?

Each of the above criteria will be rated on a scale of 1-5, with 5 being the highest, for a total possible score of 20 points. With respect to scholarship applicants, you anticipate that you will put more weight on the quality of the proposed project, than on the applicant's experience as a journalist.

You will pay the fellowships and scholarships directly to the recipients. The terms and conditions of each fellowship and scholarship will be set forth in writing to the recipient in the award letter and will limit a recipient's use of his or her fellowship or scholarship for research and travel-related expenses incurred in the production of the article or feature story and provide a stipend for his/her time spent producing the article or feature story.

The recipient will be required to communicate his/her acceptance of the fellowship or scholarship and its terms in writing with a statement that the fellowship or scholarship will not be diverted for a purpose inconsistent with the intended purpose of the grant. If the recipient is employed by a newspaper or other news media company and the applicant's proposal represents that any portion of the award will be used to compensate the applicant for his or her time spent working on the story, the award letter will also require the applicant to certify that he/she will be taking an unpaid leave of absence from his/her job during the time he/she is working on the story funded by the award. The terms will also indicate that the award cannot be used to influence legislation or to influence the outcome of any election for public office, the grant's duration, the amount or other financial benefits of the award, and required progress reports including due dates for the reports.

Ordinarily you will award fellowships and scholarships for eight week terms but may award fellowships and scholarships for a shorter or longer period as appropriate to the purpose of the fellowship and scholarship. You indicate that you will pay most if not all of the \$x awards in two installments, with half of the funding available at the beginning of the award period and the other half paid upon completion of the project, e.g. publication of the article, and submission of the reports required under the award letter.

The recipients will be required upon completion to submit a report describing the recipients' accomplishments with respect to the fellowship or scholarship and accounting for all funds received under the grant. You also indicate that if the recipient does not complete and publish the proposed story and/or does not submit satisfactory reports regarding expenditure of the grant funds, you will withhold payment of the second half of the grant amount and will take reasonable steps to investigate how the first half of the award disbursement had been spent.

If progress reports or other information received by you indicate that all or any part of the fellowship or scholarship is not being used in furtherance of the purposes of the grant, you will investigate the matter and withhold further payments until any delinquent progress reports have been submitted. If the investigation determines that all or any part of the fellowship or scholarship was not used in the furtherance of the purposes of the grant, you will take all reasonable and appropriate steps to recover the fellowship or scholarship and/or

ensure restoration of the diverted funds to the purposes of the fellowship or scholarship, including legal action if appropriate.

If the recipient has not previously diverted fellowship or scholarship funds, you will withhold any further payments to the recipient until you have received the recipient's assurance that future diversions shall not occur and shall require the recipient to take extraordinary precautions to prevent future diversions. Where the recipient has previously diverted funds and it is determined that the funds have again been used for improper purposes, all reasonable and appropriate steps shall be taken to recover the funds and/or ensure restoration of the diverted funds to the purposes of the grant. You shall withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) you have received the recipient's assurance that future diversions will not occur; and (3) you require the recipient to take extraordinary precautions to prevent future diversions.

The program is reasonably calculated to prevent selection committee members from being in a position to derive a direct or indirect private benefit if certain recipients are selected because committee members will be required to disclose any familial or other (e.g. business or financial) relationship with an applicant. You also indicate that if there is a familial relationship to any committee member then the applicant will not be eligible to receive a fellowship. Also if the relationship is other than a familial, relationship, the committee member will not be permitted to participate in any aspect of the fellowship or scholarship selection process relating to the applicant.

You agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation'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 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)(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 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,

Lois G. Lerner
Director, Exempt Organizations

Enclosures:
Notice 437
A copy of the redacted letter