

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

Department of the Treasury

Release Number: **201411043**
Release Date: 3/14/2014
Date: December 16, 2013

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Scholarship Program
y dollars =
Z=
q dollars =
R=

Dear :

You asked for advance approval of your scholarship 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. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures 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 letter indicates you will operate a scholarship program called X.

Your purpose is to conduct various programs and make distributions to various charitable organizations and to conduct an active scholarship program for students studying music at the college level.

The purpose of X is to provide financial support for the education of young promising musicians, especially those who show both leadership potential and a demonstrated commitment to community service.

You will offer at least Z scholarships each year to outstanding minority students who are proficient musicians in classical music or jazz. Selected students will receive a y dollars scholarship per year for four consecutive years of music education at an accredited university or conservatory in R beginning September 2013.

You intend that funds estimated at q dollars per year will be set aside for the purpose of providing educational scholarships to students in need of financial assistance.

Any student currently enrolled or accepted by or expected to enroll in a classical music or jazz program and majoring in such studies at the college/conservatory level is eligible for these benefits. Once a student has been awarded the scholarship, he or she will be eligible to receive the scholarship for the succeeding three years provided the student remains in good academic standing and continues to focus primarily on music studies.

You will extend an invitation to the representatives of prestigious institutions to identify and recommend outstanding students that they believe fit the criteria. You anticipate that information regarding scholarship program will be included in materials circulated among eligible students attending the prestigious institutions. The students selected from each prestigious institution will be competing with students from other performing arts high schools throughout the country. Applicants must meet all of the following eligibility criteria:

- Not related to the Donor
- Not related to any director, trustee, officer or key employee of the Federation
- Not related to any member of the Selection Committee
- Student age 18 or under for the first year
- U.S. Citizen or hold permanent resident status
- Member of a minority group.
- Demonstrated financial need
- Enrolled in the music program at an accredited university or conservatory that is qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code in order to study classical music or jazz
- Cumulative GPA at the time of application of at least 3.0
- Other criteria such as interest and professional expectations for an education in music, performance, community service, and hopes for future civic involvement

Candidates will be required to submit a completed scholarship application, along with three letters of recommendation, an official copy of their high school transcript, and a DVD of a representative performance. Finalists may also be required to offer a live audition and personal interview. A personal statement between 200-250 words must include a description of the applicant's;

- 1) interest and professional expectations for an education in music performance, and
- 2) community service and hopes for future civic involvement.

The application and recommendation forms may be obtained from and submitted to you, via mail or internet. Scholarship recipients will be selected after evaluation of all eligible applications by a selection committee. The applications may also be reviewed by accomplished musicians and experienced music educators. You do not discriminate on the basis of race, creed, color, national or ethnic origin, gender, or sexual orientation in administration of your scholarship program.

Your selection committee will review the application packet for artistic merit, academic merit, financial need, community contributions, extracurricular activities, and the strengths of the submitted essay and letters of recommendation, and the applicant's capacity to be successful in a music program at an accredited university or conservatory. Applications will be reviewed (and all scholarship decisions will be made) on an objective and nondiscriminatory basis. Based upon such review, the selection committee may invite one or more applicants to an in-person interview. If invited by your selection committee, the applicant will appear in person to answer questions by the selection committee based upon the materials submitted as part of the application packet, and perform live the same musical selection as was recorded and submitted as part of the application packet.

Your selection committee may award scholarships to one or more of the interviewed applicants, based upon their interview performance (both musical and non-musical). Your selection committee is not obligated to award any scholarship at all if it determines, following the interview cycle, that none of the applicants merits a scholarship.

You will maintain records regarding the identification of its scholarship award recipients (including any relationship of any scholarship award recipient to you). You will maintain records regarding the amount and purpose of each scholarship. You will maintain records regarding the reports and other follow-up data obtained in administering its scholarship program. You will obtain reports from its grant recipients about the use of the scholarship funds. You will investigate any allegation of misuse of its funds. You will also withhold any additional funding from the applicable recipient(s) during an investigation of a misuse of funds. You will seek recovery of any misused funds. You will maintain records regarding the information used to evaluate the qualifications of potential scholarship award recipients.

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 the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program 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 program to the Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations

- 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 representatives 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,

Kenneth Corbin
Acting Director, Exempt Organizations

Enclosure