

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201508016**  
Release Date: 2/20/2015

**Employer Identification Number:**

**Contact person - ID number:**

**Date: 11/24/2014**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

E= Fellowship Name  
F= Fellowship Name  
G= Fellowship Name  
H= Residency Name  
J= Residency Name  
K= Residency Name

r dollars = Dollar amount  
s dollars = Dollar Amount  
t dollars = Dollar Amount  
u =Number  
v= Time period

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3) as well an award grant making program as defined under Code section 4945(g)(2). Grant making programs do not require advance approval under Code section 4945(g)(2); therefore, we are not ruling on those procedures.

This approval under Internal Revenue Code section 4945(g)(3) is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined 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.

### **Description of your request**

You operate fellowship grant programs and residency grant programs. Exceptional contemporary artists and writers as well as inspired Native American activists in rural indigenous communities are your intended beneficiaries.

Your fellowship and residency grants programs will provide time and support to allow the recipients to continue with or to complete specific projects and also to recognize those who show potential for future outstanding work in selected fields. All grants are made on an objective and nondiscriminatory basis. Selection of all grantees will be made on the basis of criteria which are reasonably related to the purposes of the specific award, including the merits and quality of the grantee's work, the credentials of the grantee, and the grantee's motivation, character, ability, and potential.

Your employees, family members of the selection committee members and selection committee advisors, and disqualified persons will be ineligible for an award. Disqualified persons include, but are not limited to:

- Your substantial contributors
- Your managers
- An owner of more than 20 percent of (1) the total combined voting power of a corporation, (2) the profits interest of a partnership, or (3) the beneficial interest of a trust or unincorporated enterprise, which is, during the ownership) a substantial contributor to you
- A member of the family of any of the individuals described above.

### **Fellowship Awards**

You plan to provide the following fellowship awards:

- E is granted to individuals who have exceptional artistic, literary, curatorial critical or scholarly talent.
- F is granted to individuals who have demonstrated community service and advocacy on behalf of Native Americans and local and national tribal communities.
- G is granted to individuals who have demonstrated leadership on behalf of world cultural freedom by promoting cultural diversity and strengthening cultural traditions and ties.

There is no standard amount for a fellowship grant but the total value of all fellowship grants in any one year is not expected to exceed r dollars and each fellowship is expected to be in the range of s dollars. You will use a separate selection committee for each type of fellowship.

### **Residency Programs**

You plan to provide rent free housing and cash stipends to individuals to support them in their continuing work. You currently own u modest houses for grant recipients. Your residencies consist of the following:

- H grants are intended to encourage and support the creation of visual art and literature. Individuals who have exceptional artistic, literary, curatorial critical or scholarly talent are eligible under this program.
- J will provide grants to individuals who have demonstrated community service and advocacy on behalf of Native Americans and local and national tribal communities in such areas as education, the revival and preservation of languages, traditional cultures, legal rights, and environmental protection.
- K awards are granted to individuals, who have demonstrated leadership, on behalf of the world cultural freedom by promoting cultural diversity and strengthening cultural traditions and ties. These grants are made on an objective and nondiscriminatory basis with the purpose of enhancing the teaching and advocacy skills of the grantee. Awards may not be used as an attempt to influence any legislation.

There is no standard period of time for your residency but it is expected that each residency will continue for a period in the range of v. The standard amount for the cash stipend is t dollars per day. The cash stipend may be increased for inflation or other factors such as the recipient's need, qualifications, or other unique circumstances.

#### **Fellowship/Residency procedures and controls**

Names of potential grantees will be submitted to you for consideration by the appropriate selection committee to narrow the field of potential grantees. As part of the preliminary screening process, the selection committee may consider candidate nominations from both inside and outside your organization including but not limited to nominations from your board of directors, selection committee advisors, publishers, and past and current grant recipients.

Once the field is narrowed, the selection committee may require the remaining potential grantees to submit personal references, complete biographical records and supporting materials, and an outline of the work done by the potential grantees. After reviewing the documents provided by the potential grantees, the remaining candidates may be personally interviewed by committee members to enable them to make a final decision.

Each selected recipient will be required to communicate his or her acceptance in writing to you. The recipient must acknowledge his/her acceptance of your terms and conditions will include:

- The specific purpose of the fellowship,
- Its duration,
- The total amount of the fellowship,
- Requirements for narrative reports (including the due dates of such reports), and
- Any requirements for copies of the work undertaken or in progress.

You will require annual narrative reports on the use of the funds and the progress made by the grantee toward achieving the purposes for which the fellowship was made. A final

report from the grantee describing his or her accomplishments along with an accounting for the funds received under the fellowship is also required.

You will review each report ensure the funding is being used to accomplish the intended purpose. Additional investigation will be conducted when warranted. During the investigation, you will withhold further payments until you have determined that no part of the grant funds have been used for improper purposes and delinquent reports have been submitted.

You will take all reasonable and appropriate steps to recover diverted funds and ensure the restoration of diverted funds and the dedication of other funds held by the grantee to the purposes being financed by your fellowship.

### **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 covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

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

- You cannot make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations