

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

Department of the Treasury

Number: **201534017**
Release Date: 8/21/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: May 27, 2015

LEGEND

UIL: 4945.04-04

X= Organization Name
Y= Program Name
Z= City, State

Dear _____ :

You asked for advance approval of your educational grant/loan procedures under Internal Revenue Code section 4945(g)(3). This approval 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/loans. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants/loans 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 were formed to advance the arts in the Z area. You operate the X, a library for the benefit of students studying at institutions of musical and other learning in the fine arts operating in the Z area. Your grants consist of loans of musical instruments and grants to support young music students in their musical development.

The purpose of your musical arts program, Y, is to support young classical music students of orchestral instruments who are residents of Z by making musical instruments appropriate to their development available for their use and underwriting the costs of private and group musical instruction and mentoring for promising students who need such support. The grants to program participants will include:

- Loans of library owned musical instruments
- Grants to pay a private music teacher for a minimum of forty lessons per calendar year
- Scholarships for youth orchestra and chamber music activities
- Grants for the purchase of supplies including, without limitation, sheet music and other miscellaneous musical instrument supplies
- Tickets (or grants to subsidize admission) to concerts of great performing groups of Z

You will also provide program participants with:

- Assistance in applying for grants and prizes, scholarships available from outside organizations, and other financial aid opportunities
- Personal web profiles on your website to be composed, updated, and maintained by the program participant
- Performance opportunities as soloists and chamber musicians in semi-annual recitals and outreach settings such as retirement homes, hospitals, and special needs schools
- Accompanists
- Support for other creative projects that you believe will add to the program participant's knowledge and skill set

Y will be publicized by word of mouth. Your staff and board will establish relationships with directors of youth music programs in Z and will work with the directors to identify students who are particularly talented and in need of your support to further their musical ambitions. You are also in the process of developing a website that will publicize Y and the activities of the program participants. Your board will select students from Z public, parochial, and charter schools, as well as home-schooled students who are already enrolled in extra-curricular music programs and who are residents of Z. You will select students from the third through twelfth grades (or students of an equivalent age) who are deemed by your staff and board to most likely benefit from your support. You will primarily select students who are in the third grade (or students of equivalent age). Those students identified as potential program participants will be invited to audition and interview with you. Program participants will be selected on the basis of their demonstrated musical talent and financial need.

There will be no set number or amount of grants made annually. The size of each grant will be determined on a case by case basis depending on a program participant's needs and resource both from you and from outside sources available to them. You are committed to every program participant's musical development, from the time of acceptance into the program until you deem it appropriate to consider your support completed, which will normally coincide with the program participant's graduation from high school. No grant funds will be paid directly to any program participants. All payments will be made directly to the person or organization providing the services or materials.

Y's success will be measured by program participants' musical awareness, skills, and acceptance into recognized music programs. Success will also be measured by the acceptance rate of program participants into music programs at institutes of higher education. You do not anticipate providing financial support for musical education beyond high school years, but you may on a case by case basis extend the loan of musical instruments to program participants into their post high school years and even early professional careers.

Your staff will work closely with each program participant and will monitor each participant's progress and development as a musician by requiring periodic progress reports from all private teachers subsidized by your grants, periodically attending the program participant's private lessons and rehearsals, regularly conferring with all professionals subsidized by your grants, and meeting regularly with the program participants to evaluate their musical development. You will assess each program participant's development based on attendance at music lessons, participation in orchestras and /or chamber groups, and attendance at and/or participation in concerts and recitals. You will monitor the progress and overall musical curriculum of each program participant on an ongoing basis and the board may terminate a program participant's participation in the program if it determines that the participant is not fully committed to his or her development as a musician. The participant will be required to return all loaned instruments to you and your support of the program participant's musical education will cease immediately.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees. You will identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of such grants.

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/loan program described above. This approval will apply to succeeding grant/loan 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/loans 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/loan 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