

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:

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LEGEND

UIL: 4945.04-04

X = Program Name
Y = Continent Names
f = Number
g = Number
h dollars = Amount
j = Number
k = Number

Dear _____ :

You asked for advance approval of your educational grant 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. 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

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

The purpose of X is to support and nurture the creative inclinations and professional development of grantees as they work toward realizing their artistic visions. These grants are intended to enhance the artistic talents and professional abilities of grantees as well as nurture the long-term growth of the grantee.

Under X, you will provide monetary grants and industry resources to support the direct costs associated with activities that enhance and develop the grantees' artistic abilities and professional skills. By way of example and not limitation, grant funds may be

distributed under X to support such artistic and professional development activities as (i) travel for research and conceptual development purposes, (ii) participation in creative retreats or other educational opportunities, (iii) drafting a work, (iv) "work-shopping" a work or (v) producing a short work.

You will publicize X through targeted, proactive outreach efforts by attending industry and public events organized for potential candidates, at which you discuss and promote X. You supplement these efforts with targeted in-person, telephone, and email communications to industry professionals who are made aware of X and asked to bring potential candidates to your attention. You request the industry professionals to nominate candidates who (1) show promise and potential for innovative artistic-centric growth and (2) are transitioning from completing their first work to developing their second work and/or have gained significant regard in their field and are experimenting with a new form, style or discipline. The criteria for receiving nominations from industry professionals are minimal to allow you to consider the widest pool of possible candidates. You also publicly announce X through your website.

The number of grants that you intend to award annually will be in the range of f, depending on the number of qualified applicants and the needs of grantees. X runs on a rolling basis with a maximum of approximately g participating artists at any given time. When a spot is slated to open, you invite in the range of approximately j candidates to apply. Due to the intensity and integrity of X, your approach is to rigorously vet candidates through reviewing prior works, meeting(s) and any recommendations prior to extending an invitation to apply. Amounts granted under X will vary according to the activities and financial needs of each grantee. You presently expect grant amounts will range from h dollars.

To identify potential applicants, you actively monitor industry events and support programs, industry publications, receive recommendations from a diverse slate of industry professionals and, make contact with potential applicants at meetings and industry network events. Additionally, you identify potential applicants through a separate Service approved grant program you operate by which individuals submit online forms. Upon periodic review of all submitted online forms, you invite a selection of applicants to submit a full proposal with additional project information and materials for X.

You expect to actively track and assess the suitability in the range of approximately k potential applicants each year. Applicants must have completed a body of work in an artistic field. Other criteria in the selection process include:

- The candidate is either in the early phase of exploring ideas for their next project or have specific challenges/goals the candidate seeks to explore through X;
- The candidate seeks support beyond financial (e.g., mentorship, peer support, development support, etc.);

- The candidate is available and willing to participate in regular X-related group sessions and activities;
- The candidate is open to collaboration and being challenged as part of the candidate's participation in X;
- The candidate's body of work demonstrates the potential to transcend cultural boundaries and deepen understanding of humanity;
- The candidate's body of work represents an innovative and inspired approach that has the potential to expand boundaries of artistic form; and
- The candidate has demonstrated integrity and an authentic vision.

You represent that any disqualified person as defined in Code Section 4946 is not eligible to apply for a grant in connection with X. Your primary focus is supporting grantees in the continents of Y. You do not have any presently fixed intention to expand X to other regions.

Once a pool of potential applicants has been identified, you evaluate whether the goals and needs of each potential applicant align with the priorities, policies and overall mission of X. Select candidates are invited to apply. The application process includes a written application and multiple interviews, during which you and the applicant discuss the applicant's professional and artistic goals, challenges, and benefits of participation in X. After reviewing all applications and interview summaries, your selection committee meets to select X participants. Your selection committee is comprised of your Executive and Creative directors.

Once accepted into X, a recipient will be eligible to receive outright distributions of grant funds to be used for X activities. The recipient will work with you to prepare a detailed summary of their proposed activities and budget, which will serve as the basis for a grant proposal to be presented to your selection committee for approval. Any grant approved by your selection committee will be contingent upon the recipient's execution of an X Grant Agreement. This Grant Agreement will outline all terms and conditions imposed in connection with the grant, including without limitation the following:

- (i) The duration, specific purpose and total amount of the grant;
- (ii) The specific activities for which the grant funds may be used;
- (iii) A prohibition on the use of grant funds for any purposes and activities other than those described in the Grant Agreement, including without limitation the use of any grant funds (a) to attempt to influence legislation or the outcome of a public election, (b) voter registration activity and (c) for any other purpose not consistent with your exempt purposes;
- (iv) A requirement that the recipient communicate with you as needed for periodic assessments of his or her progress to be completed, and submit informal reports of his or her activities and use of grant funds as directed by you;

- (v) A requirement that the recipient submit a written report to you every six months, and upon final expenditure of the grant funds distributed, that describes the activities carried out by the recipient during the relevant period and the purposes for, and manner in which, grant funds have been expended;
- (vi) An acknowledgement that failure to comply with the terms of the Grant Agreement, absent good cause, will result in (a) termination of the recipient's participation in X, (b) disqualification of the recipient from receiving further distributions from you, and (c) an investigation into the use of grant funds distributed to the recipient, following which you may demand the return of unexpended funds/and or repayment of any grant funds expended in violation of the terms of the Grant Agreement.

Over the course of X, grantees will meet regularly with your staff and an advisory group of industry professionals to identify the individual grantee's goals and design a program of activities to help reach those goals. These activities, carried out under your oversight, may involve independent exploration by each grantee in addition to group activities that include other X grantees. Participation in X requires grantees to devote the majority of their time to program-related activities.

You closely monitor each recipient's progress throughout X. An advisory group, in concert with you, assesses the recipient's progress on a periodic basis and adjusts recommended resource use and the recipient's activities accordingly. Grant reports will be submitted to you for review and approval. If you have a reasonable suspicion that grant funds have been misused by a recipient, immediate and full disclosure detailing expenditures will be required. If supporting documentation suggests any diversion or misuse of funds, or if documentation is not provided in a timely fashion, you will make an immediate demand for the return of all grant funds distributed and not yet expended, and the recipient's participation in X will be summarily terminated. If deemed appropriate, you will also demand the repayment of grant funds distributed to the recipient and expended in violation of the terms of the Grant Agreement.

In making grants to foreign recipients, you will exercise heightened expenditure responsibility as appropriate, comply with all applicable Internal Revenue Service reporting obligations and adhere to the Anti-Terrorist Financing Guidelines issued by the United States Department of the Treasury, as amended from time to time. You will maintain all records relating to individual grants made under X, including the name and address of the recipient, the amount of the grant, the purpose of the grant, the manner in which the recipient was selected, and the recipient's business or personal relationship, if any, to any director, officer or employee of X or to any substantial contributor to X.

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.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements