

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

Department of the Treasury

Number: **201550048**
Release Date: 12/11/2015

Employer Identification Number:

Contact person - ID number:

Date: September 14, 2015

Contact telephone number:

LEGEND

b= Number
X= City

UIL: 4945.04-04

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

You will operate an artistic and educational grant program to provide grants to emerging or established fine, visual, literary, performance or musical artists or teachers in those and other fields to help those artists or teachers improve their skills or talents, or to produce an artistic or literary work or research report.

You currently plan to award up to b grants annually at the discretion of your Board of Directors. The amount of each award will depend upon the grantee's financial need, as described by the grantee in his or her application materials. You will accept recommendations and applications on a rolling basis.

The pool of grantees eligible for grants consists of residents of the X metropolitan area as of the date of application who have demonstrated excellence or achievement in an artistic, educational, literary, or musical endeavor prior to applying for the grant.

Potential grantees must submit applications including a written statement of financial need, a short biographical record, a description of the course of study or goals explaining what the applicant expects to achieve from the grant, and information to ensure that the

potential grantee meets the eligibility requirements and is not a disqualified person. Potential grantees must also submit letters of support and at least two additional references.

Grantees will be selected by your Board of Directors from among those applications on the basis of the selection criteria, including financial need, prior performance in artistic or educational endeavors, and the evaluation by your Board of Directors of the applicant's motivation, ability, character, achievement, and potential as demonstrated in a written statement or personal interview provided by each potential grantee.

Your Board of Directors will select grant recipients from among eligible recipients without discriminating on the basis of race, gender, sexual orientation, ethnicity, nationality, or religion. To avoid any potential for private benefit to disqualified persons, you provide that disqualified persons (including your directors and officers and their family members) are not eligible to receive any awards.

You will provide each recipient with an award letter notifying him or her of the grant. Grants will be paid directly to the grantee. Grant recipients must provide reports describing their accomplishments toward the grant purposes and accounting for the use of grant funds within six (6) months of the initial disbursement, and every six (6) months thereafter, including a final report after all grant funds have been used.

You will investigate if any grant recipient fails to provide the documentation required under the grant procedures within a reasonable amount of time, and withhold further grant funds until such documentation has been submitted consistent with the duty of a private foundation to investigate jeopardized grants under the Treasury Regulations. If you determine that any grants have been used for improper purposes, you shall take all reasonable and appropriate steps, up to and including legal action unless such action in all probability would not result in satisfaction of execution of a judgment, to recover improperly expended funds and to ensure that any funds held by the recipient will be used exclusively for the purposes of the grant award.

You will keep the following records with respect to each grantee:

1. All information that you secure to evaluate the qualification of potential grantees;
2. The identity of each grantee, including any information on relationships that would cause the recipient to be a disqualified person;
3. The amount and purposes of each grant;
4. A copy of the award letter notifying the recipient of the grant;
5. Any follow-up information obtained as described above; and
6. Any measures taken to investigate the misuse of grant funds or to enforce grant terms.

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