

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201824016**

Release Date: 6/15/2018

Date: March 21, 2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Name
C = Organization
D = Metropolitan Area
E = Name
F = Name
G = Name
H = Name
J = Organization

q dollars= Amount

r dollars= Amount

s dollars= Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g)(1) and 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 scholarship grants under Internal Revenue Code Section 4945(g)(1). We also determined your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarship and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3) respectively. As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under Code Section 4945(g)(1) are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a grantmaking program called B.

Your purpose is to support the evolving C community of artists through resources for advancing their individual careers and personal ambitions as artists and leaders in the visual arts and design.

The purpose of B is to support C Alumni with diverse backgrounds and experiences by awarding grants. B will provide opportunities for C Alumni representing a range of ages from recent high school graduates to professional established artists. C is dedicated to empowering creative young people to become successful adults and provides educational experiences in the arts and entrepreneurship opportunities to children and youth from D by fostering and supporting their individual ambitions. J currently provides administrative oversight over the awarding of, payment of and tracking of grants and you currently provide funds for the grants. You wish to reduce the current costs associated with the granting of these awards and have more control over the process.

To be eligible to apply for a grant under B, applicants must be an artist who has graduated from high school and participated in C for a minimum of two consecutive years.

Under B, the total number of grants awarded will generally be based on the number of qualified applications and your financial resources. In addition, under B there are four distinct and separate grant awards consisting of the following:

- E for up to q dollars under Section 4945(g)(1),
- F for a fixed stipend of r dollars under Section 4945(g)(3),
- G for up to q dollars under Section 4945(g)(3),
- H for up to s dollars under Section 4945(g)(3).

You will promote B through informational seminars and through your website. The application process for each grant type is also described on your web site and in general, applications and supporting documents are submitted electronically. You will encourage all applicants to schedule a phone meeting to discuss their application before submission.

For grants under Section 4945(g)(1), the applicants must complete your application and provide transcripts. For grants under Section 4945(g)(3), applicants must provide a detailed project proposal with a budget and work samples. The project proposal must include a detailed narrative that includes:

- A clear goal or objective.
- A description of the relevance of the proposed activity to their overall goals as a visual artist or career in the arts.
- An explanation substantiating their ability to fulfill the proposed activities given the timeframe and resources.

- An explanation detailing how the potential for the experience resulting from the grant is a building block to another opportunity,

Moreover, for grants requiring project proposals, you advise all applicants to contact you to determine the appropriate letter of reference or other documentation for their projects.

Furthermore, applicants may submit only one application for each funding cycle and grant activities must generally take place within a twelve-month period. Moreover, past award recipients are eligible to reapply as long as they are in good standing and have submitted final reports for prior grants and scholarships.

To select the recipients for all grants under B, you will establish a committee of diverse artists from D, some who may be from C, to review applications and determine the recipients for awards. The committee will generally select recipients based on need, the feasibility of the plans and creativity or potential for the experience to be a building block to another opportunity, depending on the grant or scholarship sought. The recipients will be diverse and represent a range of ages, stages in their careers, disciplines, and activities in the visual arts and design.

No member of the committee will be allowed to apply or be directly related to an applicant. In addition, relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for grant awards under B. You will have final authority over the selection of the recipients.

Details of E

The purpose of E is to provide scholarships to C Alumni to attend an accredited college or university to pursue a degree or take courses related to the field of visual arts, design, or other studies that contribute to a career in the arts at a qualified educational institution such as an accredited university or college. Scholarships may be used for tuition, school related materials/supplies, school fees, and senior art show costs. New applicants applying as full time students must complete the online application, provide an official acceptance letter and financial award letter from the school, and a reference letter from a teacher, professor or other mentor. Applicants applying as part time students must provide a letter from a school official on the school's letterhead stating their impending enrollment as well as a bill or statement of school tuition and fees.

If the applicant is pursuing a course of study that is not specific to the field of arts, for example, grant writing or accounting, then the applicant must provide a clear explanation showing how such courses relate to the applicant's plans and goals for their career or leadership in the arts.

Scholarship recipients are eligible to apply for up to five consecutive years as long as they are continuously enrolled either as a part time or fulltime student or until they earn a degree, whichever comes first. You do not guarantee renewal of scholarships which will

depend upon the academic status of the recipient, the merit of the scholarship application, and the availability of funds.

If a recipient fails to provide grade reports, all future requests will be denied.

Details of F

The purpose of F is to encourage the creative practices or professional aspirations concerning the relationship between the visual arts and design. F targets artists who want to bolster their creative work or artists who are recent high school or college graduates who are looking for a boost in their creative career. Your hope is that F will be used by recipients as a transition towards applying for larger grants under B in the future. Recipients may use the proceeds of F for items including materials, supplies, studio or workshop fees, transportation, printing, web hosting, a class at a community college, or other expenses that support the goals of the proposed grant project.

Proposed projects for F may be conducted in association with an institution or can be completely self-directed to enable the recipients to explore new possibilities and opportunities. Recipients must submit timely reports. If a recipient fails to provide reports, future requests will be denied.

Details of G

The purpose of G is to fund projects that are designed to push the limits of the individual creative process. Applicants must complete your application, and provide the required documents and a comprehensive project proposal described previously.

For G, the proposed project should involve risks, demonstrate collaboration with other artists, and/or engagement with a broader community through art. Projects that you will fund under G may include residencies or internships hosted by an arts institution or a master artist, participation in exhibitions, installation work, travel to participate in opportunities that support their creative practice, studio based projects to focus on aesthetic inquiry, or other opportunities to expand their creative work or creative repertoire.

Individuals may apply as individuals or in collaboration with up to three eligible individuals. For collaborations, applicants must complete one application together with the project proposal but each individual must additionally submit individual biographical information and images of their own artwork.

Under G, applicants must have an understanding or formal relationship with a host institution, partner organization, master artist, or another established entity to provide resources to support the goals of the project. Examples of such support include mentorship, studio space, or exhibition opportunities. Applicants must also provide a letter from the host or partner, highlighting the primary aspects of the relationship as an

attachment to the online application. Recipients must submit timely reports. If a recipient fails to provide reports, future requests will be denied.

Details of H

The purpose of H is to provide funds to develop the recipients' business acumen for a career in the arts or leadership in the arts through various venues. Possible activities that H may support include travel and fees to attend a conference, fees for obtaining teaching certification, internships, funding trade show participation and/or attendance or the development of a business plan, developing marketing tools and attending business workshops. To be eligible, applicants must have an informal or formal relationship with a host institution, partner organization, service provider or another established entity to provide resources to support the goals of the project such as professional training opportunities, incubator office space, or relevant business services.

Applicants must complete your application, and provide a project proposal including a budget. Applicants must also provide a letter from the host or partner, highlighting the primary aspects of the relationship as an attachment to the online application. Examples of documentation may include a conference registration confirmation, a letter of agreement from a marketing firm, or a letter of invitation for an internship.

Record Keeping and Controls for all Grants under B

Award recipients must submit a final report within about one month of completion of their project or educational experience through a link posted on your website. Award recipients are required to share their experience with the C community either in person or in a virtual manner.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements