

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

**Department of the Treasury**

Number: **201825034**  
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**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: March 27, 2018**

**LEGEND**

UIL: 4945.04-04

B= Name  
C= Area Name  
D= City  
E= Date

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 educational grant program called B. The goal of B is to create a positive cultural impact on C in the city of D with respect to the Arts. Through B, you will make grants to any individual who can create an outdoor art installation such as a sculpture, mural, or other appropriate medium.

You will publicize the application process for B on your website as well as provide pertinent information to anyone who calls or emails.

To be eligible for consideration under B, an individual must be able to create a sculpture or other work of art that is original, durable, and safe for public viewing in an unsupervised outdoor environment.

To apply for B, an applicant must submit to you an artwork statement describing the proposed project. The statement must also include the title of the proposed work, the year, the medium, the size of the proposed work, and the amount requested, as well as a statement on how the proposed work will relate to or expand on current themes in their own work. Applicants will also need to submit high resolution images of the proposed artwork, along with sketches and support images. Moreover, applicants are required to include a plan for the transportation and installation of the proposed work as well as any details of any grants the applicant has received in the past for other installations.

A Selection Committee composed of your board members will select the recipient after your staff members have reviewed the application packages. In selecting the recipient, the selection committee will consider the applicant's biography and other examples of the applicant's existing work. Furthermore, relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under B.

You will base the number of grants upon how much money is available to award within your budget, considering multi-year grants and your required minimum distribution. You will determine the grant award amount using the overall budget of B and the amount requested, as well as how much of your overall budget the grant would comprise.

Recipients are required to submit a progress report at least twice a year generally about six months apart. In addition, recipients are required to submit a final report on E of the following year after the grant term to provide pertinent information on B. If a progress or final report form is not submitted by requested due date, the recipient may not be eligible to receive future funding.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and 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 diversions from occurring.

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

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements