

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201850026**

Release Date: 12/14/2018

Date: **September 18, 2018**

**Employer Identification Number:**

**Contact telephone number:**

**Contact Telephone Number**

**LEGEND**

B = Name

C = Name

x dollars = Amount

y dollars = Amount

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**

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

One of your purposes is to support charitable causes important to C and the communities it serves, with a special emphasis on excellence in journalism.

The purpose of B is to provide a 12 month fellowship consisting of a salary, benefits and training to post graduates who are seeking to advance their careers in journalism. You will seek applicants with a demonstrated passion for and commitment to journalism and a desire to learn the skills needed to lead the newsrooms of tomorrow.

You will design B to be a career defining experience for the participants because they will be given the opportunity to learn from top journalists as well as improve their leadership skills. Recipients of B will also convene for a series of workshops on leadership, project management, innovation and the business of journalism.

Each recipient will receive a salary of x dollars plus benefits, including medical and dental insurance for a total package valued at y dollars. You have determined the amount of the fellowships by comparing B to other similar programs as well as considering the cost of living in host cities and the cost of training and travel. The number of fellowships that you will award will be based on the budget allocation approved by your board.

You will publicize B through a mix of internal and external communications which may include press releases, e-newsletters and social media accounts as well as email blasts and advertising in industry publications.

To be eligible for B, applicants must have completed a Bachelor's Degree by the time their site placement begins, be in the early years of their career, and demonstrate an interest in and capacity for journalism through previous experience and work. However, a Bachelor's Degree in journalism is not required.

Applicants must provide the following by your deadline:

- A cover letter explaining why they desire the fellowship;
- A resume primarily detailing work experience;
- Transcripts or other documentation that a Bachelor's degree was earned;
- Letters of recommendation;
- Work samples;
- A link to an online portfolio.

Recipients will be chosen by a selection committee based on their capacity and expertise in reporting and writing as demonstrated by their resume and portfolio, previous work experience, recommendations and performance in the selection interviews. The selection committee will consist of your representatives, representatives from host sites, and other outside experts. Furthermore, employees of C may not occupy more than one-third of the seats on your selection committee. The recommendations of the committee must be approved by your president.

In addition, if you receive numerous applications, you may ask C talent acquisition staff to help eliminate those submissions that do not meet your eligibility requirements and to identify those that appear to best meet your selection criteria.

Relatives of members of your selection committee, or your officers, directors or substantial contributors are also not eligible for awards made under your program.

Fellows must sign a fellowship contract committing 12 months to B at the host site. Furthermore, they must pass a background check and drug screening.

Fellows will be under the daily supervision of an on-site supervisor appointed by the host site; you will periodically contact the fellows and their supervisors because your goal is to work through any difficulties that might arise; performance evaluations are also completed by the assigned supervisor on site; however, if a fellow fails to meet your

standards or those of the host site supervisors, the contract may be terminated. Finally, fellows are asked to complete an exit survey at the end of their fellowships.

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, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

#### **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/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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements