



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508

Cincinnati, OH 45201

Date: 08/09/2023

Taxpayer ID number:

Person to contact:

Release Number: 202344021

Release Date: 11/3/2023

LEGEND

UIL: 4945.04-04

B = program

c = number

d dollars = amount

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a grant program, B, to provide grants to K-12 art educators to cover attendance at professional development conferences and meetings in Los Angeles. The purpose of B is to provide K-12 educators with the opportunity to harness the power of project-based learning to discover, develop, and communicate the stories of unsung heroes who have made a profound and positive difference on the course of history.

These grants will help enrich recipients by funding their participation in craft lectures, professional development, dedicated studio hours, and artistic enrichment experience. Specifically, professional development events include seminars, craft talks, and cultural excursions to art institutions. Additionally, you will provide studio time to the grant recipient to develop their painting, sculpture, or other art project. Following these developmental programs, recipients will create an art project representing an individual in history for their contributions to society. These art projects will then be submitted to you for viewing in a non-profit museum or facility. Grant recipients will also provide an accompanying short essay detailing why they selected their subject and a description of what their art project represents.

You will award c grants annually to qualifying and selected art educators, with a stipend amount of d dollars per grant. You will provide grant recipients stipends to cover personal expenses related to B, who will, in turn,

provide a report regarding the use of funds. You will maintain records for the grantees awarded, including the information used to evaluate potential grantees, the identification information of grantees, the amount and purpose of each award, and any follow-up information you obtain while monitoring the award. You will include information about your grant program on your website and will publicize your grant program through print publicity, digital marketing, and targeted in-person events. You will maintain case histories for all grant recipients, the amounts of the grants awarded, the manner of selection, and the absence of any relationship of recipients to officers, directors, trustees, or your donors. Relatives of officers, directors, trustees, donors, or members of the selection committee are ineligible to receive your grants.

Applicants for your grant program are K-12 arts educators across the United States who are over age 18 and are either US citizens or non-citizens lawfully and permanently residing in the United States. Applicants must provide a portfolio of their art projects, provide work history, references, and letters of recommendation, and complete your application form to satisfy eligibility requirements. You will select recipients on a non-discriminatory basis and have outlined your selection criteria. Selections will be made after reviewing an applicant's portfolio, conducting an interview to evaluate the applicant's overall skills, reviewing letters of recommendation, and national or international recognition in an area of K-12 art education.

Your grant program is not renewable, and recipients are ineligible to apply for grants in future years. You will pay most of your grants directly to vendors and third parties. These funds will include a conference that grant recipients will attend, along with associated travel expenses, lodging expenses, and a stipend. If any grant recipients are found to be violating the terms of the grant program, or not participating fully, you will make a determination as to whether they should be terminated from your program. If so, any unused or misplaced stipend funds should also be repaid.

Your executive leadership will choose your selection committee, which will be comprised of experienced art-industry professionals and art educators. Your selection committee will be chosen based on professional credentials in museum education, art history, graphic design, typography, and fine arts. You will also pay a stipend to judges on your selection committee.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of IRC 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 Regulation 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 only covers 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 a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't award 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 further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

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 questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures: Letter 437

cc: