

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Department of the Treasury

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Date: **August 23, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Program

C= Ethnicity

D= City

E= Countries

F= Number

G= Number

x dollars= Amount

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. The purpose of B is to fund fellowships for residencies in D to leading members of the global C community to pursue creative activities that contribute importantly to the fields of C humanities, arts, culture and humanistic social services. You plan to award F fellowships for x dollars each as well as pay the recipients' travel, rent and living expenses during their residency in D. The fellowships will enable the recipients to pursue projects and /or creative activities. The fellowships are not renewable.

Eligible candidates must be leading members of the global C community especially those from E. Eligible candidates must also be involved in work related to the C religion and have notable accomplishments in C scholarship, arts and culture.

To nominate potential recipients, you have formed an advisory committee composed of individuals with a demonstrated commitment to the promotion of C life and culture. A sub-committee of your advisory committee will identify potential candidates through brainstorming names of accomplished individuals to develop a list of eligible individuals who have distinguished themselves as authors, artists, musicians, dancers, photographers, poets, scholar-teachers, dramatic artists or interpretive social scientists in the C community. The sub-committee will then choose the most promising candidates for further inquiry and will ultimately select and rank G candidates based on their significant achievements and potential for future accomplishments. Possible nominees include leading novelists, leading educators and winners of prestigious awards and will represent a broad spectrum of creative activity. These candidates are then presented to the advisory committee and your governing body. While it is inherently difficult to make comparisons of accomplishments across such different fields, your committee will review the quality and creativity of the work of the nominees, as well as their potential to benefit from the fellowship and provide a public benefit to D. Relatives of members of the selection committee, or of your officers, directors, or your substantial contributors are not eligible for awards made under B.

Your staff will then contact possible recipients on a ranked basis to see if they are interested in the award and can meet the residency criteria. In general, candidates will not be required to submit materials because the types of candidates you usually will be considering will have bodies of work widely available.

Because of the nature of your nominating and selection process, you do not have a formal application process and you do not plan to publicize B on a prospective basis. Following the award of any fellowship, you will engage in a public relations program with respect to the award and the fellow's activities during their residency in D.

Prior to awarding the fellowships, you will require the recipients to sign a formal letter of agreement describing the terms, requirements and expectations of the fellowship. Some of the provisions in the agreement include:

- The recipients must be in residency in D and engaged in creative work on an agreed upon project during the fellowship period.
- The recipients must make a designated number of public appearances in D during the residency period and participate in community activities with the goal of becoming a part of the D community.
- The letter will specify the monetary compensation to be provided to the recipients as well as the reimbursed expenses.
- The agreement will also stipulate that you and the recipients agree on all publicity materials with respect to the fellowship.

Furthermore, the agreement will stipulate that you may require the repayment of the award if the terms of the fellowship are not met. You will have staff who are responsible to ensure the recipients comply with the requirements of the agreement, including

attending events in the D area during the residency period and developing their project and work during the fellowship.

You will require a final report from the recipients at the end of the residency period describing their creative activities and accomplishments during the period. The recipients will be expected to acknowledge your support and that of the fellowship for any project or work of art produced during their residency.

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.

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,

Steven A Martin
Director, Exempt Organizations
Rulings and Agreements