

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

**Department of the Treasury**

Release Number: **202002018**

Release Date: 1/10/2020

Date: October 16, 2019

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = University

C = City

d dollars = Amount

e 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. You will provide grants to worthy art students enrolled at B.

The purpose of the grant program is to improve and enhance the artist's capacity and skills as well as develop their talent. The grant provides funds for transportation, food, housing, and miscellaneous expenses to students for the study abroad program in C where they will study art and history.

To be eligible to apply for a grant, the applicants must be undergraduate and graduate students who attend B and participate in the C study abroad program. The criteria you use to select recipients include academic performance, recommendations from instructors, financial need, and a personal interview. The personal interview will concern the individual's motivation, character, ability, and potential.

You will award as many scholarships each year that you can financially support to qualified art and design students for the sole purpose of attend the C study abroad program. The grants are a one-time award and are not renewable.

The program is open to all qualified art students enrolled at B. All grants will be awarded on an objective and non-discriminatory basis. The selection committee will consider objective criteria, such as, but not limited to, the applicant's academic performance and art, personal statement, letters of recommendation, and the applicant's demonstrated financial need.

The scholarship provides financial support to the students which include payment of program fees, B-arranged group travel and accommodations, and an allowance of d dollars for travel expenses in C. The amount of each grant is approximately e dollars.

You confirm the recipients' enrollment and minimum GPA requirement of 3.0 with the Dean of the appropriate office at B. Supervision of the funds is exercised primarily through the direct disbursement to B to be applied to the students' accounts. The recipients are chaperoned in C by a Professor from B. Upon return from C, each recipient is required to prepare and deliver a report of his or her experience.

Your Board of Directors act as your selection committee. No one on the selection committee derives any direct or indirect benefit from the selection process. No funds have been, nor will they be, diverted to any use not in furtherance of a purpose specified in the grant program.

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 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 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 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. The effective date of our approval is October 1, 2018, which is the date your request was submitted.
- 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