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

Number: **202015032**
Release Date: 4/10/2020

Date: January 14, 2020

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:
B=city
c dollars= amount
d dollars = amount
e dollars = amount

UIL:
4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

Description of your request

You will operate a scholarship program for female students enrolled at accredited universities engaged in the fields of study related to music, drama, visual arts, and kindred arts.

Scholarships are available only to United States citizens, accepted in qualifying educational institutions in and around the B area and accredited by a nationally recognized accrediting agency that the Secretary of the United States Department of Education determines to be a reliable authority as to the quality of education or training provided by the institution, as long as they are engaged in a field of study related to music, drama, visual arts, and kindred arts on the full time basis. No restrictions or limitations are applied in the selection procedure based upon race, national origin, age, or employment status of applicants who are otherwise eligible as discussed above. You publicize scholarships in your print materials, on your website and allows your partner universities to promote their scholarship programming in these materials.

The number of scholarships awarded annually is based upon the number of applicants, the quality of the applicant pool, and your requirement to satisfy Internal Revenue code Section 4942. You intend to maintain consistency with past practices, which would result in total scholarships of around each year of about c dollars.

The amount of each scholarship depends on the number of qualified applicants and the amount of tuition for each recipient that is not covered by any other scholarship, fellowship, grant, or the like. Generally, each scholarship ranges between d and e dollars. The criteria for selection is based on scholastic ability with the consideration for financial needs to junior and senior students in music, visual arts, music theater and drama, and for women in music and visual arts master's program. The exact selection criteria are different depending on the field of study, but all persons wishing to be considered for a scholarship must submit an application. The candidates selected for auditions, as a second step of the application process, are notified of the audition requirements and schedule.

Each scholarship is reviewed by your Board of Directors. Scholarships are awarded on a yearly basis, applied over an academic year, and may be renewed at the discretion of your directors. However, applicants must fully reapply to be considered in a later year and there is no streamlined application for renewals.

Scholarships are awarded and paid in a lump sum; provided that if the amount of a scholarship exceeds the recipient's cost of education (including tuition, books, supplies, room, board, and travel expenses) for the current semester or quarter or term, then the amount paid for such semester or quarter will be limited to the cost of the recipient's education for such period. The funds are first used to pay tuition and related fees. If there are any excess it may be used for other school-related expenses like books, supplies, and equipment related to classes taken by recipient. If there is any excess after paying tuition and school-related expenses, the institution must return the amounts to you.

Payments are made directly to the educational institution in which the recipient is enrolled upon verification by the educational institution of the recipient's enrollment as a full-time student. Upon request, the recipient must provide you with a transcript of his/her grades. In the case of the unpaid portion of any scholarship, you reserve the right to discontinue the recipient's scholarship if they fail to continue to satisfy eligibility criteria. At the time payments are made directly to the recipient's educational institution, you obtain from the institution its agreement to use funds to defray the recipient's tuition and related expenditures. You retain records relevant to the evaluation of potential scholarship recipients, the identification of such recipients, and the amount of each scholarship granted.

At present, your selection committee is selected by the Board of Directors, who serve in accordance with your Code of Regulations. Committee eligibility is reserved to individuals who have an interest in your tax-exempt purposes. All such persons serve at the pleasure of the Board of Directors and are volunteers. Committee members are similarly replaced, by locating another individual with an interest in your tax-exempt purposes and will serve as a volunteer.

You will retain the specific information with respect to all grants issued:

1. The information used to evaluate the qualifications of candidates;
2. The complete identification of each grantee;
3. The amount and purpose of each grant; and
4. All grantee reports and any other follow-up data obtained in administering your grant programs annually and upon completion of the purpose for which the grant was awarded.

You will:

1. Investigate diversions of funds from their intended purposes;
2. 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; and
3. 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 the supervision and investigation of grants described above.

The 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 the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

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 Cincinnati Office of Exempt Organizations at:

  Internal Revenue Service
  Exempt Organizations Determinations
  P.O. Box 2508
  Cincinnati, OH 45201

- You cannot 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 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 questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements