

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the TreasuryRelease Number: **201942015**

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Date: **July 22, 2019****Employer Identification Number:****Contact person - ID number:****Contact telephone number:**

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. Your purpose in part is to provide opportunities for talented children of diverse backgrounds to learn about music and to develop their talents for music.

The purpose your program is to award grants to support children ages 4 to 17 who are dedicated to music an opportunity for related learning. The grants will allow the recipients to study under the tutelage of appropriate music instructors at reduced or no cost to the student. The grants can also be used for instructors, theory classes, fees, lessons, and/or appropriate instruments.

You will promote your program through purchased ads in theater programs, seminars in schools, churches and concerts with teacher/student performances. You may also collaborate with other music organizations such as music camps, and church choirs to advertise your program.

To be considered for your program, an application with detailed financial information including supporting documents and a description of the education the grant would fund must be submitted to you. You may also require a letter of recommendation from a

teacher, neighbor or community leader who is not a family member and a recent report card for students over eight years old. Applicants may also be required to audition.

Recipients under your program will be selected by your Board of Directors which includes your founder and individuals who make their living in the music industry. The recipients will be selected based on their music potential, their demonstrated financial need, age fit, and their ability to devote quality and sufficient time to their program. The selection committee will also determine the individual award amounts based on the musical level of the recipient and their financial need. The parent or guardian may have to pay a percentage of the cost based on their income level.

Once selected, recipients must agree to be prepared for their classes and attend all classes on time. Absenteeism or non-preparedness are cause for suspension or adjustment of terms of the grant. In addition, the parent or guardian must agree to be available for volunteer assistance for the recipient as well as agree to permit the recipient to participate in public and private concerts planned or supported by you. The grants are also not transferable to any other family member or person.

You will award the grants on a one-year duration basis which is determined on the grant approval date and end on the anniversary date. Furthermore, funds will be disbursed to the provider of the specific education the grant is funding.

You also anticipate that you will disburse the awards incrementally. For example, if a student receives an award for a year's worth of training, there would be an evaluation after three months to see if there was adequate progress and to determine if the recipient was maintaining suitable academic standing. The recipient's teacher will also be making progress reports every 90 days for the duration of the award. Furthermore, grants may be extended on the anniversary date based on the recipient's performance, and dedication to the terms and milestones set forth by you. In addition, a renewal application is required.

You represent that you will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate diversions of funds from their intended purposes, and 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 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.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements