

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

Department of the Treasury

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Date: February 12, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name
C= Number
D= Distance
E= Duration
F= City
H= Date
J= Organization

x= Amount
y= Amounts
z= 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 provide artists with time, space, and resources to create new artistic work. B will bring artists together from diverse backgrounds who have various levels of talent, disciplines, backgrounds, and careers to create art, exchange ideas, and

advance the field of the arts. To publicize B, you will post detailed information on your website and through social media. You may also use press releases and other relevant advertising.

Under B, each recipient will generally receive:

- A weekly stipend of x dollars to cover living expenses of which one half will be paid at the beginning of the residency and the remainder at the end;
- A travel reimbursement in the range of y dollars;
- A freight reimbursement of up to z dollars, upon submittal of appropriate receipts.

You anticipate that the combination of stipend and reimbursement funding may be adjusted over time. Furthermore, you plan to house up to C artists for residencies lasting E and you will periodically determine the number of annual residencies based on funds available, the amount of time that your staff has to supervise the artists and the perceived demand from the art community.

To be eligible for B, applicants must be at least twenty-one years old, not currently enrolled in a degree program and live more than D away from F. This distance requirement is to ensure that recipients are able to be fully immersed in their residency experience and able to take full advantage of the space you provide. In addition, you will actively seek to assemble diverse groups of recipients.

To apply for B in its initial year, a committee of experts will nominate eligible individuals to apply for the residencies. However, there will be an open call for applications in H and annually thereafter.

All applicants must apply online, by completing the following:

- Submit a completed online application;
- Provide a portfolio including previous works and accomplishments through a designated portal;
- Provide a description of the work they are planning to accomplish during the residency.

A panel composed of numerous artists selected by you in partnership with J will evaluate the applications and choose the recipient. The panel will base their selection on previous accomplishments and/or indications of strong potential in their works. Panelists rotate in staggered terms to ensure the presence of fresh perspectives. All grants will be subject for final approval by your Board of Directors, which may delegate its approval authority to a committee of the Board, the Executive Director, or the officer or officers administering B.

You will work with the selected artist in advance of their residency to ensure all expectations and procedures are clearly communicated. Halfway through the residency, your staff will formally check-in with each artist to determine the success of their

residency and to inquire if further staff support is needed. On the last day of the residency, the staff will receive a final report from the artist.

Artists can apply once a year and take part in a residency every other year. Artists who have previously participated in a residency are also eligible to apply for an alumnus only residency in the winter.

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 diversions from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information 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.

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/loan 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