

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

**Department of the Treasury**

**Date: March 11, 2020**

Number: **202023010**  
Release Date: 6/05/2020

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

LEGEND

UIL: 4945.04-04

X = Name

Y = Name

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**

You are operating a grant making program. The purpose of your program is to provide grants on an as needed basis for individuals pursuing an interest in music. Under your program, you will offer X and Y. X is directed toward individuals for artistic merit in the visual or performing arts, for scholastic achievement in literature, scientific research, environmental preservation and research, and for demonstrated leadership in community affairs. Y is designed to encourage young musicians, who demonstrate talent, perseverance, and fine musicianship to pursue a career in music.

**Details of X**

The purpose of X is to support artists and musicians with diverse backgrounds looking to either pursue, establish, or advance their individual careers and personal ambitions as artists and musicians. Under X, you will provide opportunities to artists and musicians who are at least eighteen years of age and have graduated from high school. Moreover, X will be opened to individuals who are either aspiring or

established artists or musicians, including composers, conductors, and performers of music; vocal artists; dancers; artists working in drawing, painting, sculpture, film, video, and new media; authors (fiction and nonfiction); poets; scholars or teachers of visual or performing arts; playwrights and screenwriters; dramatic artists and actors; and designers and architects.

Examples of what X will fund include but are not limited to the following:

- A grant to an individual recognizing outstanding musical talent or demonstrated potential to encourage their development;
- A grant to an independent vocal artist (not signed to a recording contract) in order to compose a piece of music or make a recording that showcases their musical talents.
- A grant to a young artist desiring to pursue a career in visual arts in order to assist in procuring an appropriate venue or forum to showcase their talents.
- A grant to a new playwright to provide a forum for the performance of a play with performances of high theatrical quality.

You will promote X and make your application available on your website. Applicants are required to complete the application with required attachments including a resume, letters of reference, list of goals, description of relevant experience and accomplishments. Applicants must also submit a detailed proposal for which the funds are requested, including:

- A clear goal or objective and the amount of funding requested;
- A description of the relevance of the proposed activity to his or her overall goals as an artist or musician as well as the estimated time for start and completion of the project;
- An explanation substantiating their ability to fulfill the proposed activities given the timeframe and resources;
- An explanation detailing how the potential for the experience resulting from the grant is a building block to another opportunity;
- A brief statement of how the applicant's project is unique and how the project will contribute importantly to the promotion of the arts or music.

In addition, you will ask the applicant how he or she learned about X. Further, you will consider, review, and evaluate the responses to this question so that you can modify the advertising and promotion of X to attract an increasingly diverse and increasingly qualified pool of applicants.

All applications will be evaluated by your screening committee who will nominate qualified candidates to interview in front of your selection committee which is comprised of highly qualified professionals with diverse artistic and/or music backgrounds and distinguished qualifications (e.g., professors from educational institutions who do not have a conflict of interest with respect to any of the applicants). Your selection committee will also review the quality and creativity of the work of each nominee, as well as their potential to benefit from the grant.

After the interviews, your selection committee will recommend to you the number of grants to award and the individual amounts of the awards for your approval.

Recipients are to review and return to you an executed copy of your Award Letter, which will require the recipient to at least annually provide:

- A narrative description of programmatic accomplishments;
- A financial report to include; (i) actual revenues and expenses to date related to the program or project; (ii) all expenditures made to date from the grant funds; (iii) a program or project budget for any subsequent year(s) of the grant; and (iv) a listing of new or amended sources of funding in support of the program or project;
- Any challenges or obstacles encountered and how, if at all, they affected progress on the overall program or project;
- Any modifications to the original scope of the program or project, any program or project results or achievements, and any milestones reached that are necessary to achieve the grant's;
- Any unintended outcomes and any lessons learned, or any impact on the Grantee such as career enhancement, other funding or opportunities, or recognition.

#### **Details of Y:**

The purpose of Y is to recognize musicians in their music making through adjudicated auditions. In addition to monetary prizes, award winners are given the opportunity to attend and perform at one or more special concert events that will help develop their musical talents and jump-start their careers in music.

To be eligible for an award under Y, an individual must be 18 years of age or older as well as meet one of the following:

- An amateur adult without a professional degree in music; or
- A Conservatory/University student pursuing a degree in music; or
- An individual pursuing a professional career in music.

To promote Y, you will provide announcements to departments of music at colleges, universities, and conservatories. Announcements will also be distributed to, and included in, publications targeted to an audience of musicians and vocalists. Applicants are required to complete and submit to you an electronic application by a specified deadline, which will be made available on your website.

The application requires the applicant to provide general identifying information, their specific experience and background including relevant accomplishments and degrees earned. Each applicant must also indicate whether they are an amateur adult without a professional degree in music, a conservatory/university student pursuing a degree in music or an individual pursuing a professional career in music. Each applicant must also submit:

- A sample audio performance and a sample video performance demonstrating their musical talents;
- An essay describing their past accomplishments and future goals;

- Letters of recommendation (which must include recommendations from one or more instructors, mentors, or employers).
- And a modest fee.(This amount is to be determined and may be subject to waiver for low-income applicants).

The application also asks the applicant how he or she learned about you so that you may continuously improve Y. Furthermore, as you implement Y, you will consider, review, and evaluate the responses to this question so that it can augment your advertising and promotion of Y to attract an increasingly diverse and increasingly qualified pool of applicants.

Each application that you receive will be initially reviewed and evaluated by a screening committee composed of qualified individuals in piano, voice, or music. The screening committee will review the applications and required attachments to determine those who substantiate that they meet your eligibility criteria. From this eligible pool of applicants who satisfy the threshold criteria, the screening committee panel will select and invite candidates to audition in front of a selection committee consisting of a of three judges.

After all of the candidates have performed, the judges will convene in private to discuss each candidate's performance. All candidates may be evaluated on tone quality, interpretation and musicianship, technique, their choice of materials, appearance, improvisation, poise, memorization and/or mastery of technical difficulty. After considering and evaluating the candidates, the Judges will recommend the number of award recipients and the individual amounts of each monetary award. In addition to a monetary award, award recipients may also be provided with an opportunity to attend and/ or perform at one or more special concert events. The total award amount available for Y will be determined in advance of each competition with your input after considering the amount funding of available.

**Oversight for X and Y:**

If you learn that grants funds under X or Y have been used for an unintended purpose, you will take all reasonable and appropriate steps to recover the grant funds or to ensure the restoration of the diverted funds to the appropriate purposes of the grant. You will withhold further payments to the recipient until the diverted funds have been recovered or restored; you receive the grantee's assurances that future diversions will not occur; and the grantee agrees to take extraordinary precautions to prevent future diversions from occurring.

You will retain records pertaining to all grants made. Such records shall include all information you secured to evaluate the qualification of potential recipients; identification of recipients (including any relationship to you sufficient to make the recipient a disqualified person); specification of the amount and purpose of each grant; and any follow-up information that you obtain in compliance with the relevant Treasury Regulations.

### **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.

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