

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202119009**

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Name

C = Name

D = Name

E = Award Name

F = Award Name

G = Award Name

H = Names

j dollars = Amount

k dollars = Amount

m 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.

Your purpose is to award grants to organizations exempt under IRC Section 501(c)(3) and individuals to promote charitable, educational, and scientific endeavors. In the last several years, you have launched centers that are focused on specific charitable and educational missions. You are now launching an additional center known as B. The

mission of B will be to promote people, culture, history, imagination, and literature through language, poetry, story, and dialogue. Through B, you will operate a grant making program to make fellowships and literary awards directly to individual writers. Specifically, through B you will award three different grants called E, F, and G. Each recipient of a grant will be required to attend a retreat called C, which will be held annually in D. Further, the awards are generally opened to established writers who are citizens or residents of the countries of H. You plan to publicize your educational grant program through your website, national press releases, limited paid advertising, and word of mouth. The number of grants may fluctuate based upon shifting budgetary concerns or based upon the number of invited recipients who accept or decline the grant in a given year. Moreover, the sums for each grant are fixed amounts for the foreseeable future but you may consider adjusting the amounts in the future based on B's budget, but amounts will not vary by individual. Specifically, for each year, recipients of a given award will receive the same amount.

E will be:

- Awarded annually to one individual who will receive j dollars annually for up to three years;
- Awarded to an individual who is a career author with a significant publication record, has received widespread critical acclaim, and shows the promise of future achievement.

The funds for E are intended to underwrite the costs associated with the recipients' attendance at C as well as provide material support to them to free them from other financial pursuits and obligations so that they can dedicate more time to their art. Although they are required to attend C during the first year of their grant, they are not required to attend during their second and third years, although attendance is encouraged as it provides time and space away from the rigors of their daily life and will allow them to improve and develop their literary capacity.

F will be:

- Awarded annually to numerous individuals who will receive k dollars annually for up to three years;
- Awarded to established writers who have notable publication records and significant critical reputations; or,
- Awarded to emerging writers who demonstrate great promise for future accomplishments.

The funds awarded for F are intended to offset the costs associated with attending C as well as offset lost income due to their attendance. In addition, although the years of funding do not need to be consecutive, recipients must attend C and provide a report by the end of your fiscal year that the grant is paid along with details explaining their literary activities for the year as well as their artistic takeaways from C in order to continue to receive funding for any remaining years of the grant.

For both E and F, candidates are nominated by the Director of B from members of the general public without any action or application on their part in order to be considered for the grant. After candidates are nominated, their information is forwarded to the Nominating Committee for review. The Nominating Committee is currently comprised of volunteers who are literary experts with careers as published authors, literary editors, literary academics, or administrators of literary nonprofits. In the future, your current Nominating Committee members will be replaced by former recipients of E and F on a volunteer basis by invitation from your Board of Directors.

The Nominating Committee, after deliberating over the potential candidates, forwards a list of finalists and alternates to your Board of Directors who review the list for final approval of all grant awards. All recipients are selected based on their publication records, critical acclaim from established literary critics, and the promise of future accomplishment as demonstrated by academic performance, strong recommendations by an established author or editor, limited but promising publications in well-regarded literary journals, and/or conclusions the Nominating Committee may draw based upon personal interviews and/or review of the potential recipient's work. No members or relatives of members of the Nominating Committee or your officers, directors, or substantial contributors are eligible to receive any awards under your educational grant program.

G will be:

- Awarded annually to prior F recipients who have already completed their three years of funding for F;
- Awarded to each recipient for m dollars to help offset the costs associated with attending C.

Individuals who qualify for G do not have to apply, but can only request the award in a year they plan to attend C and must complete a report by the end of the fiscal year that the grant is awarded detailing their artistic takeaways from C in order to qualify to receive the grant in the future.

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 case histories and document recipients of grants, including names, addresses, amount of grants, purpose of grants, manner of selection, and proof that recipients were not related to officers, trustees, or donors.

Concerning your program, you will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire from OFAC the appropriate licenses and registrations where necessary.

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