

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Date: April 30, 2013

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Fellowship Name
C = Fellowship Name
D = Country
E = University
G = Language
w = number range
x = number range
y = number range
z = dollar amount

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

Your letter indicates you will operate one program comprised of two different fellowships. One is called the B and the other is called the C. Both fellowships are administered identically with the same application, criteria, screening process and procedures. Recipients are selected from the same pool of applicants for each. The only difference between the fellowships is the eligibility requirement explained below.

The purpose of your program is to award fellowships enabling recipients to pursue graduate-level research or study at universities. Generally, applicants must be students from United States universities to study at D universities or vice versa.

To be eligible, applicants must complete and meet the following minimum requirements:

- Submit and application packet.
- Be admitted to a graduate program as a degree candidate at an accredited institution of higher education in the United States or D.
- Have a well-defined research or scholarly project that necessitates an exchange to the host country, but the applicant's course of study is not limited to any particular area, except that the fellowship grant may not be used to support elementary or introductory study of either G or English as a language.
- Be proficient in the English language and have completed an undergraduate (bachelor's) degree by the start of the fellowship.

Of these applicants, to be eligible for the C, recipients must be either a graduate student from D going to study at E or a graduate student from E going to study in D. Applicants who are disqualified person(s) within the meaning of Internal Revenue Code section 4946 or who are related to a screening committee member are not eligible to receive fellowships from your foundation.

Applications will be screened by a committee of individuals with diverse academic backgrounds. The screening committee will evaluate the applicants and forward recommendations to your board of trustees. The committee will be selected and approved by your board of trustees. Trustees may serve on your screening committee. One of the screeners serves as the committee chair. Screeners read the applications and assign a score to each. Scores are based on the following:

- Academic performance
- Three reference letters
- Validity of the proposal
- Importance of the proposed research

More weight is given to graduate students further along in their programs and research. Financial need will not be considered. Applications will be considered without regard to age, race, color, religion, gender, national origin, sexual orientation, and/or physical disability.

The screeners send their scores to the chair, who compiles them into a grid, and averages the three scores for each applicant. The chair rearranges the grid in declining order of average score and sends the grid to the other two screeners for approval. Once all three screeners approve the grid, the chair forwards it, along with a one-paragraph synopsis of each applicant's proposal, to the board secretary.

The board discusses the recommendations and makes the final decisions. No political influence is allowed. The board members may not correspond with the screeners about candidates, nor do the screeners consider materials outside the application. If the screening committee's ranking of applicants shows an imbalance in the number of applicants studying in each country, the board may designate the next-highest ranked applicant studying in the country that is less represented as a specific alternate. If any selected applicant did not accept the fellowship, then the board will award the fellowship to the specific alternate. Final recipients will be chosen by the board of trustees.

Your fellowships are publicized through announcements mailed to various universities and your website. Approximately w applications are expected annually. You will award between x fellowships annually, with intent to increase this number to y in subsequent years. Each recipient may receive up to z. All fellowships are non-renewable, but recipients may reapply in consecutive years as long as they meet the eligibility requirements. The number and amount of fellowships to be offered is determined each year by your board of trustees; depending on your income.

All fellowship awards are paid directly to the recipient. Awards may be used to pay research and study costs, including tuition and qualified educational expenses, and travel to and from the research or study site. Awards may not be used to pay for travel or costs of spouses or partners of recipients. Recipients are required to submit reports, at least annually, describing the progress of their research or study and accounting for the use of the funds. A faculty member supervising the recipient or another appropriate university official must approve the report. Recipients are required to submit a final report to you upon completion of their research or study.

Your board of trustees shall be responsible for the following: (1) Publicizing the availability of the program and make the application materials available, (2) receive, acknowledge, and process all fellowship application, (3) verify eligibility of applicants, (4) select and notify recipients for awards, (5) notify non-recipients, (6) confirm enrollment of recipients at the approved institution of higher education, (7) keep permanent records of the meetings and actions of the screening committee, (8) account for all funds, (9) disburse the funds on behalf of your Foundation, (10) receive and review progress and final reports received from recipients on their progress and use of grant funds, (11) investigate any diversions of funds from their intended purpose, and (12) take all reasonable and appropriate steps to recover diverted funds, if any.

You will (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 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 diversion from occurring.

You will maintain all records relating to individual grants including information obtained to evaluate grantees, identify 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.

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,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

Enclosures: Notice 437
Redacted copy of letter