

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:

Contact telephone number:

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LEGEND

UIL: 4945.04-04

B = Name
C = Name
D = Names
E = Specialty
F = Quantity
G = Quantity

x 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/loans 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 award grants to promising residents and fellows of C tax-exempt hospitals in the cities of D to develop, improve, or enhance their skills to further research in the field of E including designing research programs to evaluate possible new and existing medicines, treatment protocols, and procedures. These grants will significantly help applicants achieve their educational and research goals because many physicians serving as residents and fellows have limited financial resources, and that funding for research programs is scarce.

You will award up to F grants per year, depending on the number of qualified applicants, for up to x dollars. You intend to disseminate information about B to all Program Chairpersons and Residency Directors throughout tax-exempt hospitals with accredited E Residency and Fellowship programs in the cities of D; you will also invite qualified residents and fellows with research, public health, or educational proposals to apply for grants.

To be eligible to apply for B, applicants must be physicians serving as residents or fellows who have made significant achievements, who have shown exceptional promise, or have demonstrated accomplishments in their field.

All applicants must complete and submit an application form as well as submit a curriculum vitae including a list of prior publication and professional accomplishments, and a letter of recommendation from an instructor or mentor.

In addition, all applicants must provide a proposal abstract for a project which must:

1. Describe the specific goals and hypothesis of the proposed project;
2. Explain how their prior educational and/or professional experience is relevant to the project;
3. Provide a detailed budget for the project including proposed expenditures of supplies, equipment, travel, etc.
4. Provide a description of any additional support received from established charities or other individuals;
5. Explain how their proposed project furthers research and training in the field of E.

Furthermore, as part of the application, the applicant must sign a statement agreeing if they are awarded the grant to follow your reporting requirements as well as acknowledge your contribution to the project in any publication and presentation and affirm that neither they or their mentors have any financial interest in the project to be researched.

To review applications, you will form a Selection Committee composed of up to G individuals. The Selection Committee will evaluate grant applications by using the following criteria:

1. The completeness of each application and the project statement;
2. The potential significance of the project to advancing scientific research and education in the field of E;
3. The adequacy of the proposed budget and time period for achieving the desired results;
4. The applicant's credentials and previous achievements in the field of the proposed project.

Furthermore, as part of the evaluation process, the Selection Committee may interview applicants by phone or in person and will then make recommendations to you. Concerning the awards, all grants will be awarded on an objective and nondiscriminatory

basis. Members of your Selection Committee will not be in a position to receive private benefit, directly or indirectly, if certain grantees are selected over others. You will not award grants to your founders, directors, managers, employees, or members of the Selection Committee or their relatives.

You will require that each grant recipient agree in writing (1) to use the grant funds only for the purposes for which the grant has been awarded; (2) to provide you with an initial progress report six months after commencement of a project; a report after twelve months following the awarding of the grant; an annual report thereafter for projects of greater than one year; and a final report upon project completion, regarding the progress of the project, describing the accomplishments under the grant and accounting for the grant funds expended as of the date of the report; (3) to return to you all funds that were not spent; and (4) to return the grant in its entirety if you determine that the grant conditions are not being.

If you learn that all or any part of a grant is being diverted from the intended purpose, you will take all reasonable and appropriate steps to recover the grant funds or to restore diverted funds. This would include legal action if deemed appropriate under the circumstances.

You will retain complete records indefinitely with respect to all grants awarded, including the grant proposal; the grant application and a curriculum vitae for each applicant; the identification of grantees; the amount and date of each grant; a grant agreement signed by the grant recipient; a semi-annual progress report; a twelve-month progress report; and an annual progress report thereafter as required of each grant recipient.

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