

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201929020**
Release Date: 7/19/2019

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: April 23, 2019

LEGEND

B = Company
C = Award
x dollars = Amount
y dollars = Amount

UIL: 4945.04-04

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

You will operate a grant making program. Your purpose is to advance innovative and neglected medical research for _____, with a focus on small proof-of-concept studies. The purpose of your program is to award funds for research in biomedical and life-sciences that further your charitable purposes, in the United States and internationally, by working with individuals and organizations who have the expertise to evaluate such accomplishments.

Currently, you will fund grants to encourage the publication in open scientific journals of innovative, new technology which illustrates the promotes _____ . Examples include topics such as the _____ , and _____ . For this endeavor, you will work with B, a foreign organization that has organized the international competition known as C.

The purpose of C is to encourage laboratory design a biomedical product that illustrates from around the world to so as to . Topics include the , and the .

C is open to anyone worldwide in the broad biomedical and life-sciences fields. There are no limitations or restrictions in the selection procedures based upon race, religion, national or ethnic origin, or other illegally discriminatory criteria.

The portion of C in which you will participate will proceed in two stages. First, all the applications will be screened by senior staff at B based on the technical merit of the submission, in an objective and nondiscriminatory manner. During this screening, the applications will be pared down to approximately 10 semi-finalists. Second, an expert panel of judges consisting of B representatives and independent experts in biotechnology will review the semi-finalist submissions before choosing the three most innovative and practical designs as the finalists. At this point, you will offer a grant of approximately x dollars to each of these three finalists, on the condition that the finalist publish his or her scientific data in an open-access scientific publication.

You have also worked with and have reviewed the procedures developed by B and will continue to have oversight to ensure that the selection is made on an objective and nondiscriminatory process. Furthermore, you are not granting any funds directly to B. Rather, you will provide awards directly to individual recipients and will therefore have a direct relationship with each recipient and will directly verify that the required publication has happened before its awards grants.

You will verify that each finalist has published his or her scientific data in an open access journal before paying the grant. If a finalist publishes their data within one year of the decision, you will award the finalist a certain portion of the x dollars on which you have placed no further conditions. After the one-year cutoff, you will pay up to y dollars in publication fees that the finalist certifies to you. If a finalist's institution covers publication fees, the grant in the same amount will be provided directly to the qualified finalist in the same amount. In any event, in order to receive any portion of the grant, a finalist must publish his or her data in pure open-access journals. You will not provide any portion of the proceeds if the publication is not available on the United States government's free search engine immediately. A finalist must verify that he or she has complied with all conditions and provide backup for publication fees/coverage before any funds are paid.

You will not provide any grant to or for the benefit of disqualified persons, including your officers or directors, foundation managers, members of any competition selection committee choosing semi-finalists or finalists, substantial contributors to you, family members of such persons, or any other person who is a disqualified person with respect to you within the meaning of Section 4946(a) of the Code.

The grant, together with the C competition as whole, is being promoted through traditional print advertising and digital media, including a dedicated website where

members of the international public can download the application form and enter the competition.

You represent that 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 diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants.

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