

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

**Department of the Treasury**

Number: **201426030**  
Release Date: 6/27/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: April 3, 2014**

**LEGEND**

**UIL: 4945.04-04**

X= Program Name  
s = Quantity  
t= Quantity  
v dollars = Amount  
y = Quantity  
w= Quantity  
z= Quantity

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 were organized for charitable purposes and in furtherance of such purposes you carry out a variety of charitable activities with to primarily focused on global health, global development expanding opportunities for Americans to have meaningful educational experiences at all levels.

Your letter indicates that you have operated X, an educational grant program for several years. X was previously only available to organizations but you have decided to expand X to award grants to individuals.

You developed X with the goal of engaging new ideas and innovations in solving scientific and technological problems essential for high impact global health solutions.

Through X, you award s rounds of grants each year against a specific set of topics. In the past you have run about t topics in each round. In general, you choose the topics according to three major criteria, which are:

- 1) The topic fits within your goals and disease priorities;
- 2) The topic contains a roadblock where radical new thinking is needed for discovery of an effective health solution; and /or
- 3) Potential projects within the topic are likely to be well suited for the phased structure of the initiative.

You also will consider whether a topic will engage participation from scientists outside traditional global health disciplines as well as researchers working in the developing world. X has also included topics related to global development and in an upcoming round you will include a communications topic which supports your programmatic strategies.

Initially, you anticipate you will award y individual grants of v dollars per round with a project term of w months. You will likely increase the number of individual grants and possibly the amount of funding depending on the number of qualified individuals and the availability of funds or as circumstances reasonably dictates.

The individual program of X will be open to any person(s) from any discipline, from student to tenured professor, and from any organization, colleges and universities, government laboratories, research institutions, non-profit organizations, and for-profit companies, including individuals not affiliated with any organization.

You will select applicants that have demonstrated experience against one of the X topics and be exceptionally well-qualified to carry out the charitable purposes of the grant. You will expect individual grantees to produce at least one annual progress report and one final report in each w grant period describing the individual's accomplishments with respect to the charitable project and delineating how the funds were spent in furtherance of such charitable objectives. You will award the individual grants to each recipient as reimbursement for their time spent on the charitable purpose of the project and to assist the recipient with travel, related supplies and expenses incurred during the term of the project.

#### **Specifics of Individual Grant Program:**

- A. Eligible Recipients: Grants will be awarded on an objective and nondiscriminatory basis. You will choose recipients from among eligible candidates who have submitted a proposal in the form requested by you and all required supporting materials. Initially, to be eligible for a grant, applicants must only select one topic of X and may submit only one proposal.

- B. Ineligible recipients: No disqualified person as defined in 4946(a) with respect to you including your substantial contributors, your officers and trustees, members of the selection committee and family members of the foregoing persons will be eligible to receive an individual. In addition, you will not award any grant to an individual for a purpose inconsistent your 501(c)(3) purpose.
- C. Selection Criteria and Scoring: Your criteria will be appropriate to accomplish the underlying charitable purpose of the grant. Initially, you will require individual grant applicants to meet the following criteria : (1) evidence of the applicant's commitment to the topic; (2) the applicant's training (completed or proposed) and/or laboratory experience in related areas; (3) evidence of the applicant's original research and/or success in the relevant areas; (4) importance of the topic in the field; (5) originality of the project proposed; (6) appropriateness of the scope of the topic of the project; (7) appropriateness of the methodology; and (8) resources available to the applicant. You may use other criteria to select recipients such as professional ability or achievement; recommendations and letters of support from others familiar with the applicant's work ; recommendations as to the applicant's motivation, character, ability or potential; evidence of other special talent; or geographic area covered by the applicant. You will not consider the applicant's race, color, creed, religion, sexual orientation, age, disability, citizenship or national origin in selecting an individual grant recipient. You may use additional reasonable criteria and restrictions on the group of potential applicants where such restrictions are particularly calculated to effectuate the charitable purpose of the grant rather than to benefit particular persons or a particular class of persons. Examples of such restrictions include: (1) a particular area of study or vocation; (2) a particular educational institute or program; or (3) certain geographical restrictions. The selection committee will rate applicants under selection criteria applicable to a particular topic using a rating system and will select applicants with the highest value under this system.
- D. Individual Grant Applications/Proposals: You will require individual applicants to submit a proposal and supporting material as you may deem appropriate to screen and review such applicants. Recipients will be required to provide you with at least one progress report and one final report within an w month period that reports on achievements against the specific charitable objective of the grants. You anticipate individual grant recipients will be required to submit the following supporting materials: (1) a current resume or curriculum vitae ("CV"); and (2) a description of the proposed project. You will disqualify for consideration applicants who fail to submit completed applications and all supporting materials by the applicable deadline. You will require applicants to disclose any familial (either legal or blood) relationship they have to any disqualified person (as defined in Section 4946(a)) with respect to you, or any member of the Selection Committee. Applicants having a familial relationship to any of the foregoing individuals will be disqualified from further consideration.
- E. Selection Committee: Authority of the administration of the individual grant program will be vested in members of your leadership. Selection of grantees will be vested in your staff, as well as a panel of external reviewers (collectively those who review and

select grantees are referred to as the "Selection Committee" or "Committee"). The external panel will consist of approximately z reviewers who have been selected by your staff based on their subject matter expertise. You will require Selection Committee members to disclose any familial or other (e.g., business or financial) relationship with any applicant. If a Committee member has a familial relationship with an applicant, that applicant will not be eligible to receive a grant from you. If a Committee member has other than a familial relationship with an applicant (e.g., a business or financial relationship), the Committee member will not be permitted to participate in any aspect of the selection process relating to that applicant. Notwithstanding anything herein to the contrary, you will not award any grants to any applicant who is a disqualified person (within the meaning of Section 4946(a) with respect to you, as noted above. Your staff dedicated to the X Program will be responsible for establishing applicable terms, eligibility requirements, selection criteria, and application forms for all individual grants awarded under Y. Your staff will also be responsible for determining the number and amount of individual grants available for a particular round. Your Selection Committee will be responsible for reviewing individual grant applications, reviewing supporting materials, rating applicants, and making recommendations for individual grant awards to your leadership for approval. You will ultimately be responsible for ensuring that X is consistent with the requirements of Section 4945(g) (3). In coordination with your Selection Committee, one or more of your staff members will have responsibility for:

1. Publicizing the availability, eligibility requirements and selection criteria for the your X Program through your website under the Rules & Guidelines for the X Program, and elsewhere, as deemed appropriate by the X Program;
2. Making application information available on your website;
3. Notifying recipients of the nature and amount of each award, and the requirements to claim the award.

**A. Use and Supervision of Grants: Disbursement and Use of Individual Grant**

**Funds:** You will pay the grant funds directly to the individual recipient and you will generally award individual grants for an w month period. Once the grant agreement is fully executed, you will pay the individual half of the awarded amount, with the remaining funds being paid to the individual on a reimbursement basis or in arrears. The terms and conditions of each individual grant will be set forth in writing by way of a written grant agreement. The terms of the grant agreement will limit a recipient's use of his or her funds for professional fees, research, and travel and other related expenses incurred by the recipient in furtherance of the charitable purposes of the project. The terms and conditions of each individual grant will include the following information:

- Specify the responsibilities of you and the grantee;
- Obligate the grantee to use the grant funds only for the charitable purposes for which the grant is made;

- Provide for periodic progress reports, at least annually, concerning the results achieved and the use of the funds; and
- Requires a final written report with an accounting of how the grant funds were used. The grant agreement will also authorize you to recover and/or withhold grant funds in the event you determine that such funds are misused.

The agreement will authorize you to recover and or withhold grant funds if you determine that such funds are misused. You will normally pay one half of grant upon full execution of the grant agreement and require the recipient to provide you a reconciliation of his expenses against this amount; once exceeded he would be able to invoice you for up to the remaining amount under the terms of the grant agreement. These invoices will serve as the financial progress reports.

**B. Progress and Final Reports from the Recipients:** You will require each individual to submit an annual report detailing the use of the grant funds and the progress he/she has made toward completing the charitable project, as well as a final report at the end of the project. Both reports will require a description of the recipient's accomplishments with respect to the individual grant and accounting for all funds received under the grant. One of your staff members will have the responsibility to follow the progress of each individual grant award, and shall review progress and final reports received from individual recipients to determine whether the charitable purposes are being or have been fulfilled or whether further scrutiny or investigation is warranted.

**C. Investigation and Recovery of Diverted Funds:** Where the progress reports received by you or other information (including the failure of a recipient to submit progress reports) indicate that all or any part of an individual grant is not being used in furtherance of the charitable purposes of the grant, you will take appropriate steps to investigate the matter. While conducting your investigation, you will withhold further payments, to the extent possible, until any delinquent progress reports required under the foregoing provisions of these procedures have been submitted.

If you learn that all or any part of an individual grant is not being used in furtherance of the charitable purposes of the grant, you will take all reasonable and appropriate steps to recover the funds and/or ensure restoration of the diverted funds to the purposes of the X Program. If such a diversion occurs and the recipient has not previously diverted funds to any use not in furtherance of the purposes of the grant, you will withhold any further payments to the recipient until it has received the recipient's assurance that future diversions shall not occur and you will require the recipient to take extraordinary precautions to prevent future diversions from occurring.

Where a recipient has previously diverted funds received from you, and you determine that any part of an individual grant has again been used for improper purposes, you will take all reasonable and appropriate steps to recover the funds and/or to ensure restoration of the diverted funds to the purposes of the grant. In such cases, then you will withhold further payments until the diverted funds are in fact recovered or restored, you have received the recipient's assurances that future diversions will not occur, and you

require the recipient to take extraordinary precautions to prevent future diversions from occurring. The phrase "all reasonable and appropriate steps," as used above, shall include legal action where appropriate, but would not include legal action if such action would, in all probability, not result in the satisfaction of execution on a judgment.

### **Record keeping Requirements:**

You will retain the following records in connection with all individual grants:

- All information obtained by you to evaluate the qualifications of potential individual recipients.
- The identification of individual recipients and any relationship of a potential recipient to members of the Selection Committee member, a family member of the foregoing, or any disqualified person with respect to the Foundation.
- The purpose and amount of each individual grant.
- Any additional information you obtain in complying with your grant-making procedures. Records pertaining to any individual grants made pursuant to Y shall be kept for no less than three (3) years after the filing of the your annual information return for the period in which the last installment of such individual grant was paid.

### **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,

Director, Exempt Organizations