

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

Department of the Treasury

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Employer Identification Number:

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Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Entity
x dollars = amount
y 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. The purpose of the program is to award grants for biomedical research and development of models for surgical training and testing.

You anticipate awarding to grants annually with an estimated limit of x dollars per recipient for research and development and up to y dollars per recipient for validation and further refinement, though amounts may change based on proposed budgets, discussion of budget plans with recipients, and availability of funds. Grant funds will be used for research or development, travel, and compensation.

Anyone worldwide with experience and knowledge in the biomedical field is eligible to apply. Applicants must be able to demonstrate from prior professional or academic experience that they possess the necessary expertise to execute both development and validation phases. If working collaboratively within a research team, the applicant must also show that the team has a clinical educator or an engineer. There are no limitations

or restrictions based upon race, religion, national or ethnic origin, or gender. Relatives of selection committee members, and of your officers, directors or substantial contributors, are not eligible to apply.

You will publicize your program on your website and the websites of your educational and charitable partners. You will also send emails to high interest groups and, in the future, partner with more educational and charitable institutions, and other entities, to include your program on their websites, newsletters, mailing lists and social media pages.

Selection committee members must have expertise in fields relevant to the design of surgical models in low resource environments. You and B, a subsidiary of a registered foreign charity, will research potential committee members and may request interviews or written materials from potential members to assess qualifications and interest. Selection committee members will be selected based on their relevant expertise, interest, and commitment to your mission.

Once applicants have submitted grant proposals for consideration (including a budget and description of how funds will be used), the selection committee will select recipients based on the following criteria: potential impact of research findings, quality of research design and methodology, originality, and the feasibility and cost-effectiveness of the project. All grants will comply with your conflict of interest policy. Recipients will not be based on familial, business, or other similar relationships, and no grants will benefit any director, officer, or staff member of you directly or indirectly.

You will enter into agreements with recipients that outline terms and conditions of the grant. These will include the amount of the grant, the specific purposes to which funds can be applied, rules governing the use of any unexpended funds, the grant period, a statement acknowledging your authority to withhold and/or recover grant funds in the case of misuse, the conditions for periodic review, and the requirements for a final written report and full accounting of grant funds. Grant recipients must agree to publish their research data on a free, online platform available to the public, and make the data available for use on a royalty-free basis in lower-middle income countries.

You require recipients to provide written or oral updates to the selection committee on the progress of research and use of grant funds. Recipients must also provide written reports to you quarterly or semiannually. Recipients are informed that you may request receipts or other proof of payment for materials or services purchased with grant funds. You may make periodic physical or virtual field visits to the grant project site, or otherwise monitor the grant through technological means to ensure intended purposes. You anticipate awarding repeat grants to recipients at different stages of the research and development process and will conduct due diligence and engage in substantively the same procedures every time a grant is awarded. If required reports are not submitted, grants will not be renewed. Recipients must also publish the results of the grant in a form available to the public within a reasonably short time after completion to qualify for an additional grant.

For prospective foreign grantees, you will operate in compliance with all statutes, executive orders and regulations restricting or prohibiting US persons from engaging in transactions and dealings with terrorist designated countries, entities, individuals, or in violation of economic sanctions administered by the Office of Foreign Assets Control (OFAC). You will check the OFAC list of specially designated nationals and blocked persons. You will acquire from OFAC appropriate licenses and registrations where necessary. You will comply with the Treasury Department's Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities. You will not accept donations earmarked for particular individuals.

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 the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) 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 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