



THE COMMUNITY FOUNDATION  
*of Shelby County*

*Build Today...Dream for Tomorrow*

## Fund Policy: Scholarship Funds

### **Definition**

Scholarships are educational grants that meet the scholarship grant requirements of paragraph (1), (2), or (3) of Section 4945(g) of the Internal Revenue Code and applicable sections of the Pension Protection Act of 2006 regarding grants to individuals. The scholarship grant may support tuition, fees, books, and supplies required for courses of instruction for a candidate seeking a degree at an accredited institution.

### **Establishing and Building a Charitable Fund**

A Scholarship Fund is established with two basic items: a signed fund agreement and a gift, both of which must be accepted by the Board of Trustees. A template fund agreement is available.

Donors may outline in the charitable fund agreement whether principal (gifts to the charitable fund) may be retained or disbursed. Funds that retain principal are referred to as 'endowed.'

Endowed charitable funds follow Uniform Prudent Management of Institutional Funds Act (UPMIFA). Disbursements from such charitable funds shall be governed according to the Spending Policy of the Community Foundation. Charitable funds that enable the spending of income and principal are not required to abide by this item.

The minimum asset size for most charitable funds is \$25,000 which may be accumulated through a single or several gifts and over a period of 60 months. The initial gift must be at least \$5,000. Funds that do not achieve or maintain the asset minimum within 60 consecutive months may be incorporated into another charitable fund or 'spent down' to deplete the principal. The minimum asset size requirement may be waived if there is an indication from the establishing donor that a deferred or planned gift will raise the asset level above the minimum at some time in the future.

The Board of Trustees retains the right to refuse to accept any charitable fund for any reason. Each charitable fund is a component of the Community Foundation and shall be subject to its Articles of Incorporation and Code of Regulations, each as amended and restated from time to time. The governing documents and fund agreements are subject to amendment by the Board of Trustees to comply with any relevant Federal or State statute or regulation.

### **Giving to a Charitable Fund**

Gifts to charitable funds within the Community Foundation, a 501(c)(3) public foundation, are tax deductible to the highest amount allowed by law and varies depending upon gift type. Several types of gifts may be used to create a charitable fund including cash, publicly traded securities, privately held stock, real estate, personal property, trusts and life insurance. Please see the Foundation's Gift Acceptance Policy for information and conditions. Gifts are irrevocable and are owned and controlled by the Community Foundation of Shelby County.

Gifts may be added at any time and in any amount. Delivery instructions for non-cash gifts may be obtained from Community Foundation staff.

## Determining the Eligibility and Selection Criteria of a Scholarship

**Eligibility criteria** define *who may apply* for a scholarship. **Selection criteria** help the selection committee decide *who will receive* the scholarship award. The establishing donor may outline the eligibility and selection criteria used to award a scholarship.

The group from which grantees are selected will be chosen on the basis of criteria reasonably related to the purposes of the grant. The applicant group must be sufficiently broad so that giving of a grant to members of such group would be considered to be a charitable class. Selection from a group is not necessary where, taking into account the purposes of the grant, selection is based on the exceptional qualifications of the recipient(s) to carry out these purposes.

This policy is not meant to preclude scholarships being granted to students from a specified geographic area, field of interest or similar criteria so long as the group is sufficiently broad to constitute a charitable class.

Criteria should provide sufficient flexibility so that the scholarship may be awarded regularly. Eligibility cannot be restricted to a specific individual, family or other highly restricted group of people. The Foundation adheres to legal standards regarding nondiscrimination.

The fund agreement may contain any of the following eligibility criteria:

- High School Senior or current/prospective college student
- High school attended
- Academic achievement (grade point average or class rank)
- Area of residence (school district, county or region)
- Financial need
- Field of study
- Enrollment in a named accredited college, university or vocational institute
- Participation in a named sport or extracurricular activity (NCAA rules may apply for students receiving an athletic scholarship from a college)
- Membership or participation in a recognized club, organization or church
- Other criteria specific to an occupation or course of education

Selection criteria are the basis for a selection committee's decision. Selection criteria may include some or all of the following:

- Financial need
- Academic achievement (ie: a minimum gpa)
- School and community service
- Recommendation letters from non-family individuals
- Statistics (ie: Baseball team stats for the season. Caution: NCAA rules apply)
- Essay on a specific topic.

## Application

When possible, scholarships shall be included in the combined online application for Community Foundation scholarships. The Foundation will promote the location of the scholarship application web address to local high schools and, within reason, any high schools specified in a scholarship agreement. Applications will also be sent to colleges, universities and vocational institutes as appropriate and within reason.

### **Selection Committee**

A selection committee reviews applications and recommends to the Foundation board of trustees the names of scholarship recipients. The application and selection process is unnecessary if a scholarship is awarded because of an objective achievement, such as class valedictorian.

The Community Foundation of Shelby County shall annually appoint all members of each scholarship Selection Committee after receiving basic information about why the individual is qualified to be on the committee. Individuals serving on a selection committee cannot derive economic benefit, either directly or indirectly, from the scholarship process.

The advisory privileges of the donor and any person designated by the donor are performed exclusively in such person's capacity as a member of the committee. A donor or related party may serve on a Selection Committee, but no combination of the donor and persons designated by the donor (or persons considered to be related parties to such persons) may control, directly or indirectly, the committee and they may not constitute a majority of the committee. A donor may suggest some members of the committee but the Foundation has the power to accept or reject any suggestions. A donor serving in an advisory capacity will be asked to disclose any family or employment relationships existing with other committee members. A donor can be an individual, a deceased person, a charity or other nonprofit organization, a corporation or other business, a professional or alumni group, or other entity. A donor may also be a significant contributor (\$5,000 or more) to the charitable fund.

It should be understood that selection committee recommendations are advisory and will not be binding on the board of trustees of the Foundation, which by law must retain final responsibility for all distributions made from charitable funds of the Foundation. See 'Scholarship Selection Policies and Procedures' for further details.

### **Awarding the Scholarship**

Once the recipient selection has been made, the award process rolls into motion. If the recipient is a high school senior, the Foundation attempts to notify the high school in advance of the Senior Awards program or the Graduation ceremony, as appropriate. Older students are notified of their awards through a mailed letter.

Some Donors wish to participate in handing a certificate to the chosen students; others prefer to pass the honor to school officials. Donors may notify the high school principal and the Foundation of their preference.

The Foundation provides personalized award certificates to the appropriate high schools. Shortly after graduation, an acceptance letter is mailed to each recipient's home outlining the Foundation's restrictions and conditions. Those items include the requirement that grant money is used for the student's education as intended and the misuse of funds will require the student to repay the misused portion.

The Foundation may withdraw a scholarship if it is determined by the Foundation that a misuse has occurred or if a student does not comply with a scholarship fund's eligibility requirement such as enrollment in a specified university or major.

### **Receiving the Award**

Students receive their award checks by submitting a signed acceptance letter and a document from their college showing proof of enrollment. Single year awards are paid in a lump sum and typically in advance of the Fall term. If the scholarship is renewable, the annual amount will be paid each Fall, unless the fund agreement specifies otherwise.

The Foundation may issue a scholarship payment after the completion of the student's first Fall term. The Foundation will not evaluate a student's grades or financial need after the award has been made as a condition for receiving payment.

### **Scholarship Renewals**

For those funds that offer a renewable scholarship, recipients may renew their award if:

- The Foundation has no information indicating that the original scholarship is being used for any purpose other than that for which the original award was made (ie: any condition such as college attended or course major);
- The scholarship recipient returns a signed letter of agreement and supplies any requested documentation; and
- Any additional criteria and procedures for renewal of the scholarship have been satisfied.
- If the recipient of a renewable scholarship does not use the year's award installment during any year during the span of time for which scholarship installments are available, that year's scholarship installment is withdrawn. The remaining years, if any, are still available to the recipient, so long as all other conditions of the scholarship are met.
- Renewal installments may be made available beginning with a recipient's Summer college term, unless otherwise stipulated within the fund agreement.

### **Investment and Fees**

A donor may provide a recommendation regarding the investment of a charitable fund's assets, but the Board of Trustees of the Community Foundation, by law, retains final control over investment decisions. Assets of a charitable fund are co-mingled and invested by the Foundation with input from an investment consultant. The Foundation shall separately account for each charitable fund. Administrative and investment fees are assessed according to the Foundation's Fee Schedule.

### **Variance Power**

The Community Foundation is authorized to adopt such regulations, procedures, and other administrative provisions to carry out the purposes of the Fund or as may be required by the Internal Revenue Service so as not to jeopardize the Foundation's status as a tax-exempt public foundation.

The Foundation is further authorized to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified charitable organizations, if in their sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the service area.

### **Small Scholarship Funds**

Under limited circumstances, the Foundation has accepted small scholarship funds from outside organizations. If the scholarship fund does not appear to be able to satisfy the fund minimum, it will be spent down or integrated into another scholarship fund. Scholarship funds that are spending down must disburse assets within 60 months and with scholarships of \$1,000 or more.

Because of the workload associated with scholarship administration, the Foundation does not accept 'pass-through' scholarships where there is a gift in, followed by a grant out.

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