Scholarship Policy and Procedures

Introduction
The Community Foundation of Northeast Alabama ("the Foundation") holds and administers funds (the “Funds”) that provide scholarships to individuals, including high school, college and graduate school students. These scholarships enable the recipients to complete an undergraduate or graduate education in the field of their choice at the college or graduate school of their choice. The Foundation may also hold and administer certain Funds that make grants to primary and secondary schools for students to attend various educational programs or to institutions of higher education for individuals to attend vocational or other training. Scholarships also may be awarded to pay for a course of study leading to a certificate or to achieve a skill level, such as art or vocational school. Such scholarships may cover the cost of tuition and related expenses. Grants made from such Funds are referred to as “Scholarship Grants.” Currently, the Foundation does not make grants directly to individuals.

The Foundation has established the following policy and procedures pursuant to which grants will be awarded from all scholarship funds, including where donor/advisors have any advisory privileges or participation in the selection of scholarship recipients. The following policy and procedures shall be interpreted so as to ensure the Foundation's compliance with all applicable requirements of the Internal Revenue Code, including Section 4966, accompanying Treasury Regulations and guidance from the Internal Revenue Service, and these procedures may be amended from time to time.

The Foundation values and encourages the interest and involvement of donors to scholarship funds. Donor involvement may include developing criteria for awards, serving on the Scholarship Committee and recommending others for places on the Scholarship Committee. It is important to remember donor advised funds are not permitted to make scholarship grants or grants to individuals.

Duties of the Board of Trustees
The Board of Trustees is responsible for approving the establishment of scholarship funds, general selection criteria used to determine award recipients, scholarship designees, renewal scholarship designees and disbursement of scholarship awards. No other governing body or external committee has control over scholarship funds or the award recipient selection process.
**Definitions**

**Advisor** – A person appointed by a donor to have advisory privileges with respect to a Fund. The term also includes members of the advisor’s family and businesses controlled by the advisor and family members.

**Donor** – an individual or organization, including a corporation, partnership or trust, that makes a contribution to a Fund where such Fund is separately identified by reference to contributions of the donor and with respect to which the donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such Fund by reason of the donor/advisor’s status as a donor. The term also includes members of the donor’s family and businesses controlled by the donor and family members.

**Educational Institution** – An institution that has a regular faculty, a curriculum, and an organized body of students in attendance at the place where the educational activities are held.

**Qualified Expenses** – Certain expenses incurred in attending an educational institution. They are:

- Tuition and fees for enrollment and attendance.
- Course-related expenses – fees, books, supplies, and equipment required of all students for courses of instruction.
- University approved housing and university approved meal plans. Payments for expenses in this group are not exempt from income tax.

**Related Persons** – The term includes both a donor or advisor’s family members and businesses they control:

- **Family Members** – An individual’s parents, grandparents, great grandparents, spouse, siblings, children, grandchildren, great grandchildren and the spouses of all of the above.
- **Controlled Businesses** – Corporations, partnerships, and trusts or estates if the donor or advisor and family members own more than 35 percent of the total combined voting power (corporations), 35 percent of the profits interest (partnerships), or 35 percent of the beneficial interest (trusts or estates).

**Scholarship Committee**

The Foundation’s Board of Trustees will annually appoint all members of the Scholarship Committee charged with the evaluation of candidates for scholarships covered by this policy.
For a complete description of the responsibilities of the Scholarship Committee, see the Community Foundation’s Scholarship Committees Articles of Organization.

A donor or related party may serve on the Scholarship Committee, but they may not control the Scholarship Committee. This means that no combination of donors, persons designated by donors, and persons (a term that includes partnerships, corporations and trusts as well as individuals) related to them may constitute a majority of the committee, be given a veto power, be allowed to chair the Scholarship Committee or otherwise be permitted to control the Scholarship Committee’s decisions. If a donor/advisor recommends a person for appointment to a scholarship committee based on objective criteria related to the expertise of such person, such person will not be deemed to be appointed or designated by the donor/advisor.

Donor/advisors and related persons may provide advice with respect to the selection of award recipients solely as members of a scholarship committee. This means that donors may not pre-screen applications and choose those to be referred to the Committee. It also means that donors may not make a final selection from among candidates approved by the Committee.

Every member of the Scholarship Committee must adhere to the relevant policies of the Foundation as they may be adopted and amended from time to time, including without limitation the Foundation’s Conflict of Interest Policy and Confidentiality Policy. Each member of the Scholarship Committee covered by this policy must disclose any personal knowledge of and relationship with any potential grantee under consideration and refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others.

Scholarships covered by this policy may not be awarded to any member of the Foundation's Board of Trustees, any employee of the Foundation, or any other disqualified person with respect to the Foundation. Grants also may not be awarded to any donor/advisor or substantial contributor to the Fund making the award, to any member of the Scholarship Committee for such award, or to any members of their families. Finally, grants covered by this policy may not be made for a purpose that is not charitable.

No individual may serve on the Foundation’s Scholarship Committee if their relative is an applicant for a scholarship award. The applicant, and his or her extended family members, is precluded from applying for, or receiving any, Community Foundation scholarship. To support this legal requirement, the Foundation utilizes a separate disqualified person disclosure form, which is attached to these procedures. Moreover, the IRS regulation on disqualified persons extends for three years after the volunteer or trustee has completed service on the Scholarship Committee.
Each member of the Scholarship Committee shall certify in writing that no applicant considered by the committee is related to any current or past committee members. See the Foundation’s Conflict of Interest Policy for detailed definitions of relatives based on the IRS guidelines defining disqualified persons.

The Scholarship Committee established under this policy shall forward its recommendations to the Foundation staff in such form and on such schedule as the staff shall establish. The Foundation Board shall approve each award made under this policy.

**Scholarship Grants Selection Criteria**

Scholarship recipients are to be selected on an objective and nondiscriminatory basis. The group from which scholarship recipients are selected must be sufficiently broad so that giving grants to one or more members of the group fulfills a charitable purpose.

Selection from such a group is not necessary if one or more scholarship recipients are selected on the basis of their exceptional qualifications to carry out the purposes of the grant.

The scholarship may benefit particular persons or a particular class of persons if the selection is specifically designed to fulfill the charitable purpose of the grant.

The criteria to be used in selecting scholarship recipients from a fund established at the Foundation must be based on criteria that are appropriate to accomplishing the underlying purpose of the scholarship as described in the agreement creating such Fund. Foundation staff should work with donors to establish Funds that fulfill the donor’s charitable goals and feature clear selection criteria.

Criteria for scholarship grants may include, but are not limited to, the following:

- Prior academic performance;
- Performance of each applicant on tests designed to measure ability and aptitude for educational work;
- Recommendations from instructors of such applicant and any others who have knowledge of the applicant’s capabilities;
- Additional biographical information regarding an applicant’s career, academic and other relevant experiences, financial need; and
- The scholarship committee’s conclusions as to the applicant’s motivation, character, ability, or potential.

Criteria may also include the applicant’s place of residence, past or future attendance at a particular school, past or proposed course of study or evidence of his or her artistic, scientific or
other special talent. Preference may be given to applicants of a particular sex, race (other than white), ethnic background or religion so long as such preference does not violate public policy.

Scholarship recipients must be (1) undergraduate or graduate students at a college or university who are pursuing studies to meet the requirements for an academic or professional degree; or (2) students – whether full-time or part-time – who receive a scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor’s or higher degree, or offers a vocational training program to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a national recognized accreditation agency.

The Foundation reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Scholarship Grants and the administration of such grants. Any substantial or material changes will be made only with approval of the Foundation’s Board of Trustees.

**Application and Nomination Process**

Applicants for scholarships shall be required to submit such application forms and supporting materials as the Foundation may deem appropriate on a schedule to be determined by the Foundation (See Scholarship Program Schedule below).

Foundation staff and designated members of the scholarship committee established for such awards shall contact high school, college and graduate school administrators as well as managers of other relevant community institutions to advertise the availability of the Foundation's Scholarship Grants and to request that these administrators nominate potential candidates or encourage potential awardees to submit applications for scholarship aid.

**Scholarship Renewal Procedures**

Most of the Foundation’s scholarships are renewable in order to achieve the intended goal of assisting students in completing their post-secondary education. A renewable scholarship recipient must nonetheless satisfy the requirements of the printed fund guidelines and procedures plus the following:

- That the scholarship is being used to attain the areas of study as originally intended by the donor(s).
- That the recipient follows the procedures and due dates to reapply for the scholarship award.
• In the event a scholarship recipient takes a leave of absence from school prior to the completion/payout of their scholarship award, the student must submit a written request to the Foundation to defer their scholarship. Foundation scholarships may typically be deferred for up to one year. If the student fails to return to school after the approved deferred term, they will automatically forfeit their remaining scholarship award.

**Supervision of Scholarship Grants**

Scholarship Grants must be used for qualified educational expenses (see definition) at an educational institution (see definition). The Foundation will only pay Scholarship Grants directly to the educational institution and only for qualified educational expenses on behalf of the scholarship recipient.

The educational institution is informed it must use the grant funds only to defray the scholarship recipient's expenses when the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant.

**Recovery of Unused or Misused Scholarship Funds**

The Foundation is not required to investigate the use of scholarship grants paid directly to an educational institution unless the award is used to pay for something that is not a qualified educational expense.

• Recipients that withdraw from a post-secondary institution during an academic term, or after the completion of the first semester, are obligated to have the institution return any unused assets to the Foundation.

• Recipients that transfer from one institution to another with scholarship funds remaining must notify both their current financial aid office and the Foundation. The institution from which the student is leaving must refund the unused portion of the scholarship to the Foundation. Upon receipt of a current class schedule at the new institution, the Foundation will reissue a check for the remaining amount to the new institution.

• Disciplinary or academic dismissal from an institution will result in forfeiture of the balance of the entire scholarship award. Recipients are obligated to notify the Foundation of their dismissal.

**Recordkeeping Requirements**
The Foundation will maintain records with respect to all scholarships made to recipients. Such records will be maintained with the Foundation based on the current Document Retention Policy. Scholarship Grant records will include:

- All information the Foundation secures to evaluate the qualification of potential scholarship recipients;
- Identification of the applicants, including any disqualified relationship with a Foundation staff member or trustee, donor or donors or any member of the Scholarship Committee;
- Specification of the amount and purpose of each scholarship based on separate award guidelines; and,
- Any follow-up information the Foundation obtains or requires in the short- or long-term administration of awards. This may include the monitoring of areas of study, grade point requirements or other on-going compliance issues.

Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants.

**Staff Duties**

The staff is responsible for helping donors understand the Foundation’s scholarship program and policies and to determine appropriate selection criteria based on their objectives and IRS guidelines for acceptable pools of applicants and other narrowing “class” parameters. In addition, staff is responsible for:

- Setting the processing due dates relative to the scholarship program.
- Ensuring scholarship opportunities are publicized in widely available venues.
- Generating forms and documents related to the administration of scholarships.
- Organizing, training and evaluating the Scholarship Committee.
- Receiving on-line scholarship applications.
- Confirming applicant eligibility.
- Training the Scholarship Review Committee on how to review scholarship applications on-line.
- Assisting the Scholarship Committees with the review, ranking and selection process.
- Ensuring that the Scholarship Committee nominates an alternate for each award.
- Preparing award medallions, certificates and attending award ceremonies.
- Publicizing, where appropriate, the outcome of the selection process.
- Preparing and corresponding with educational institutions.
• Documenting the recipient’s enrollment at a post-secondary institution.
• Issuing payments exclusively to the finance or business office.
• Maintaining all scholarship correspondence and documentation.
• Assessing the recipients in the multi-year scholarship renewal process.
• Assisting donors with scholarship information and award outcomes.
• Acting as a liaison in communicating with parents, students and educational institutions.
• Reviewing and updating scholarship best practices and legal requirements.
• Annually updating scholarship information, guidelines and reviewer information.

Scholarship Program Schedule

January
• Staff verifies new scholarship programs that have been established.
• Staff distributes scholarship awards to educational institutions for spring semester.

March
• Application due date for all awards (March 1).
• Scholarship applications must be submitted on-line.
• Scholarship Committee training takes place.

April
• Scholarship recommendations are presented to the Board of Trustees.
• Staff notifies students of award status.
• Scholarship award letters are emailed to students.
• Staff prepares certificates and medallions for award presentations.
• Reminders to renewal applications are sent.

May
• Staff, donors or trustees present scholarships at award ceremonies.
• Staff takes photos to use in announcements and publications.

July
• Staff prepares scholarship distributions for fall semester.
• Staff communicates with any alternates that may be receiving an award.

August
• Staff secures enrollment documentation from students.
• Staff mails scholarship distributions to educational institutions for fall semester.
• Staff and Board reviews any transitions on the Scholarship Committee.

October
• Staff updates scholarship applications.
• Reminders to renewal applications are sent.
• Foundation’s website is updated with current scholarship information.
• New Scholarship Committee members are selected.

November
• Application materials and scholarship announcements are distributed to schools.
• Public announcements and press releases are issued to the media.
• Schools promote availability of scholarships.

Approved November 5, 2015

Approved May 19, 2016