



## **GUIDELINES FOR SCHOLARSHIP FUNDS**

### **SECTION 1: ESTABLISHMENT AND PURPOSE**

**1.1 Application.** This Scholarship Fund Policy (the “Policy”) applies to all Scholarship Funds (“Scholarships”) held by The Community Foundation for Rockbridge, Bath and Alleghany (“CFRBA” or “Foundation”) created on or after January 1, 2012. This Policy applies to those Scholarships created by any of CFRBA’s affiliates. A Scholarship fund agreement may provide for certain deviations from this Policy, such as a higher spending rate. However, if a Scholarship fund agreement is ambiguous or silent, then the Policy and any subsequent changes to the Policy will govern.

**1.2 Authorization.** CFRBA has authorized the establishment of Scholarships as component funds of CFRBA and has provided procedures and policies for the establishment and administration of such funds.

**1.3 Establishment of Scholarship Funds.** Scholarships may be established by the transfer, whether by contribution, gift, bequest, devise, or other method of transfer (“Contribution”), from one or more persons or organizations (“Donor”), and acceptance by CFRBA to carry out the Scholarship’s charitable purpose, which must be supportive of CFRBA’s charitable purposes.

**1.4 Purpose.** This Policy recognizes that the goal of CFRBA’s Scholarship program is to make it possible for graduating high school seniors and adult learners to attend the colleges or vocational programs of their choice and to provide a philanthropic vehicle for donors who wish to provide educational opportunities for qualified students.

**1.5 Ownership of Funds.** Each Scholarship is irrevocable and shall be the property of CFRBA, held in its normal corporate capacity, and shall not be deemed a trust fund held by CFRBA in a trustee capacity. CFRBA shall have exclusive legal control of all property in the Scholarship and the income derived there from.

**1.6 Name of Funds.** Scholarships may be named by the Donor, subject to CFRBA’s approval, and each Scholarship shall be recorded on the books and records of CFRBA as an identifiable scholarship fund.

**1.7 Amendment of Policies.** This Policy may be amended from time to time by the CFRBA Board of Directors.

**1.8 Written Notice.** As used in the Policy, written notice means in writing, by facsimile or other electronic notification as approved by the Foundation.

## **SECTION 2: ACCEPTANCE OF FUNDS & GIFTS**

**2.1 Authorization.** The CFRBA Board of Directors (the “CFRBA Board”) has authorized the Foundation’s Executive Director to accept funds and gifts on its behalf. The Executive Director may accept other forms of gifts (e.g., real estate, personal property, life insurance) with the approval of the Foundation's Executive Committee.

**2.2 Value.** The minimum amount required for the establishment of an endowed Scholarship is \$10,000 (the “Minimum Balance”). If a Scholarship drops below the Minimum Balance, then the Scholarship donor may supplement the spendable income of the fund to ensure continued Scholarship grants are made.

**2.3 Acknowledgement of Procedures.** CFRBA shall provide Donors with a copy of this Policy. Donors understand that their Scholarship will be administered by CFRBA subject to its governing documents and this Policy.

**2.4 Power to Modify Scholarship Funds.** All Scholarship assets are subject to the variance power and other provisions of the governing documents of CFRBA, including, without limitation, the power of the CFRBA Board to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in their sole judgment such restriction or condition becomes incapable of fulfillment. Donors may amend or make material changes to the Scholarship only with the approval of the CFRBA Board.

## **SECTION 3: INVESTMENT OF SCHOLARSHIP FUND ASSETS & COMPENSATION**

**3.1 Responsibility and Policy.** CFRBA has the sole responsibility and authority for the investment of the assets of each Scholarship. CFRBA shall invest Scholarship assets in a manner consistent with the investment procedures described in CFRBA’s current Statement of Investment Policy (“Investment Policy”), which is attached.

**3.2 Net Investment Gains or Losses.** CFRBA shall add any net gains or deduct any net losses from the investments of the Scholarship assets to the Scholarship’s fund balance on a quarterly basis.

**3.3 Unrestricted Compensation to CFRBA.** CFRBA is entitled to monthly administrative fees to further CFRBA’s general charitable purposes as set forth in CFRBA’s Policy. This compensation is assessed on the Scholarship’s prior quarter-end balance.

## **SECTION 4: SCHOLARSHIP AWARDS**

**4.1 Compliance.** The approval of the CFRBA Board is required to ensure that all Scholarship grants are awarded on an objective and nondiscriminatory basis from a group of potential candidates sufficient in number to constitute a charitable class. Scholarship grants must be made in accordance with policies, procedures and criteria that are approved in advance by the CFRBA Board. The CFRBA Board will approve membership of Scholarship Review Committees as further defined in Section 4.4 below. All Scholarship grants must be recommended by a Scholarship Review Committee and approved by the CFRBA Board. All Scholarship grants must satisfy categories of permitted grants to individuals and IRS reporting and record-keeping requirements.

**4.2 Web-Based Application Process.** CFRBA's website ([www.cfrba.org](http://www.cfrba.org)) serves as the exclusive medium for providing detailed Scholarship information to interested students, parents and the community at large. The website has enhanced functionality to electronically match student inquiries with Scholarship eligibility criteria and to access Scholarship application materials.

**4.3 Common Application.** CFRBA uses a common scholarship application form and requires common supporting materials for all CFRBA Scholarships. The general criteria used in selecting Scholarship recipients include, but are not limited to, past academic performance, community service, recommendations from faculty or community members, and in some cases, financial need. Other Scholarship-specific criteria such as school or geographic limitations, postsecondary academic interests or professional aspirations may be incorporated into eligibility criteria if approved by the CFRBA Board.

**4.4 Scholarship Review Committees.** The CFRBA Board shall approve Scholarship Review Committees comprised of community volunteers, Board members, educators and donors. The Scholarship Review Committee will evaluate applications and make recommendations for Scholarship recipients based on the approved eligibility requirements. All members of the Scholarship committee are subject to conflict of interest and confidentiality policies.

**a. Community-Based Scholarships.** In the case of community-based Scholarships (i.e., Scholarships established by civic clubs, schools, affiliated groups), the community-based group may, with CFRBA's approval, establish its own Scholarship Review Committee, whose members shall be approved by the CFRBA Board.

**4.6 Donor Involvement.** The principal donor to the Scholarship, defined as any individual who has signed the Scholarship fund agreement and is a substantial contributor to the Scholarship, cannot serve on the Scholarship Review Committee or otherwise be involved in the recommendation of Scholarship recipients. CFRBA may permit donors and related parties who have established Scholarship funds to participate in Scholarship Review Committees only if they agree to recuse themselves from deliberations about persons in whom they may have a special interest.

**4.7 Final Approval.** CFRBA’s Board has the legal responsibility to control all distributions of Scholarship income and/or principal and final approval of all Scholarship recipients rests with the CFRBA Board.

**4.8 Spending Rules for Scholarship Funds.** Scholarships are permanent endowments and may distribute annually “Spendable Income” either as defined by CFRBA’s Spending Policy (which may change from time to time) or as stated in the Scholarship fund agreement. The amount of Spendable Income is defined by CFRBA’s Spending Policy. Any unused Spendable Income will be applied to the Scholarship’s fund principal, unless otherwise provided by the Scholarship fund agreement.

**4.9 Minimum Scholarship Award.** Generally, the minimum annual Scholarship award is \$500. Annually and before any Scholarship Review Committee has met, the donor may give guidance on the number of Scholarships awarded and the award amount until the time that the applicants are revealed.

**4.10 Prohibited Distributions.** The Foundation adheres to all laws, including but not limited to The Pension Protection Act of 2006 (“PPA”). The PPA provides that certain grants from Scholarships are prohibited. Those prohibited distributions include:

**a.** A Scholarship may not make a distribution that would result in the receipt of more than an incidental benefit for a Donor; nor may it provide a grant, loan, compensation, expense reimbursement, or similar payment to any person associated with the Donor, the Donor’s family or any disqualified person as defined in the Internal Revenue Code. Impermissible “quid pro quo” benefits to Donors include, but are not limited to tuition, admission to an event, meals, dues, books, art, tickets, tuition waivers, golf fees and/or membership privileges.

**b.** Scholarship funds may not be used to pay any direct expenses, such as for fund raising; nor may it reimburse the Donor, related parties or any other individual for any expense.

**4.11 Delivery of Scholarship Awards.** CFRBA will deliver all grants from Scholarships directly to the educational institutions chosen by recipients. Distributions will not be made directly to scholarship recipients.

**4.12 Reports to Board of Directors.** CFRBA staff will at least annually provide to the CFRBA Board a list of all scholarship awards, including names of individual students and the colleges/schools/universities they are attending.

## **Conflict of Interest and Confidentiality Policy for Scholarship Review Committees**

### **Definition**

A conflict of interest can occur when an action of a committee member recommending a Scholarship award results in a direct financial benefit to a person closely associated with the member. A conflict of interest may also occur if a committee member exerts influence to select a recipient without considering objective criteria for the Scholarship.

### **Explanation**

Scholarship Review Committee members are often asked to serve because of their knowledge of local communities, educational experience or experience evaluating student achievement.

Scholarship Review Committee members must be able to make independent decisions on behalf of the Scholarship fund and The Community Foundation without potential or perceived influence caused by conflict of interest. They must evaluate the eligibility of all applicants without bias and make selection recommendations based on the established objective criteria for the Scholarship.

Review Committee members should avoid any situation where personal and business relationships could have, or give the appearance of having, undue influence on the member's judgment in matters under consideration.

In case of a potential conflict of interest, the committee member shall declare the conflict, and refrain from influencing the decision-making process. Family members of a Scholarship donor are not eligible candidates for Scholarship awards.

### **Confidentiality Statement**

Scholarship Review Committee members honor and respect the confidentiality of all Scholarship business, including information contained in student application forms, essays and letters of recommendation, as well as materials related to the scholarship review process, including scoring sheets. Confidential information discussed, heard or transcribed at a Scholarship Review Committee meeting will not be released, discussed or shared in any manner with any individual outside the Foundation or the Scholarship Review Committee.

I, \_\_\_\_\_ have read and agree to abide by the above policy.

Print Name

Signature: \_\_\_\_\_ Date \_\_\_\_\_