



Policies and Procedures for Scholarship Funds

1. Introduction: Scope and Intent of the Policy

The Yampa Valley Community Foundation (“the Foundation”) holds and administers certain funds that provide scholarship grants to individuals to enable the recipients to attend various educational programs including vocational or other training or to complete an undergraduate or graduate education in the field of their choice at a college or graduate school. Grants made from such Funds shall be referred to as “Scholarship Grants.”

The Foundation has established the following procedures pursuant to Scholarship Grants. The following procedures shall be interpreted to confirm that the Scholarship Fund is consistent with the charitable purposes of the Foundation and 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.

2. Definitions

For purposes of these procedures, a “*donor-advisor*” will be defined as an individual or organization, including a corporation, partnership or trust, that makes a contribution to a Fund and has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such Fund. An “*educational institution*” as described in IRC 170(b)(1)(A)(ii) is one that normally maintains a regular faculty and curriculum and has a regularly organized body of students in attendance at the place where the educational activities are carried on. “*Qualified educational expenses*” are expenses incurred in attending an educational institution including: tuition, fees, books and supplies and equipment required for study (tax-exempt expenses), and for room and board (expenses that are not exempt from income tax).

3. Establishing a Scholarship Fund

The Foundation works with donor-advisors to establish scholarship funds consistent with the wishes of the donor, compliant with IRS guidelines for scholarships, and adhering to the Foundation’s investment policies and scholarship grant distribution protocols. The Foundation values and encourages the interest and involvement of donor-advisors to Scholarship Funds. Such involvement may include developing criteria, serving on grant selection committees and recommending others for places on selection committees. Modifications to the Scholarship purpose or selection criteria after initial implementation require an amendment to the Fund Agreement signed by the Donor and the Foundation’s Chief Executive Officer.

Scholarship Grants must be used for qualified educational expenses and will be issued to educational institutions, not individuals. 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.

Scholarship Funds at the Foundation are intended to function for moderate to long-term periods (a minimum of 5 years of awards) and shall be opened with a \$10,000 minimum initial investment in the fund, or more for renewable scholarships or endowed funds. Initial investment, fees and other factors are described in greater detail in the Scholarship Fund Agreement, and these may change from time to time. The investment pool will be chosen considering intentions around fund balance, annual donations to the fund, distributions and goals for growth of the fund balance. Endowed scholarship funds are subject to the Foundation's endowment spending policy.

Scholarship grants will ordinarily be awarded for a one-year period but may be for a shorter or longer period. A grant may be renewable for a period appropriate to the purposes of the Fund under which the award is established. If the grant is renewable, a separate application may be created. Additionally, the criteria for renewal must be explicit and minimal, and the application shall be brief and uncomplicated. Careful consideration will be taken in establishing a renewable scholarship to ensure sufficient fund balance and/or replenishment of the fund in order to honor renewals as described to recipients at the time of initial application. Particular thought will be given to establishing an endowed scholarship that is renewable due to the implications associated with the annual spendable calculation and ensuring a sufficient spendable to meet the yearly renewable awards.

All scholarship funds will retain a minimum balance of \$1,000. The Fund must have a sufficient balance to pay all anticipated scholarships for the current cycle and relevant fees for the current year prior to the application being opened for students to apply.

Scholarship grant awards shall be a minimum of \$1,000 per scholarship, per student.

4. Scholarship Purpose and Criteria for Selection of Grantees

The Scholarship Purpose is a statement of intent for the fund with broad objectives for the Who and Why of the scholarship. The Criteria developed for selecting grant recipients must be appropriate to the Purpose of the scholarship as described in the Fund Agreement and which are objective, quantifiable and non-discriminatory. The groups from which grant recipients are selected must be sufficiently broad so that giving grants to one or more members of the group fulfills a charitable purpose. Foundation staff and donors will work together to establish a Fund that fulfills the donor's charitable goals and features clear purpose and selection criteria.

Criteria 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 education 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 conclusions which the grant selection committee may draw 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, ethnic background or religion so long as such preference does not violate public policy.

5. Scholarship Grant Selection Committees

The Foundation shall review all members of any selection committee charged with the evaluation of candidates for Scholarship Grants. The Foundation's Board of Trustees will approve all committees on an annual basis. It is recommended to establish a selection committee in the Fund Agreement with stated roles ('Board Member'; 'Community Member'; 'Music Teacher') rather than individual names. This provides an opportunity for thoughtful selection of committee members and enables greater flexibility and less confusion when a committee's membership changes.

No combination of donor-advisors, persons recommended or designated by donor-advisors (unless recommended based on objective qualifications to serve on the committee) or persons related to donor-advisors may, directly or indirectly, control any selection committee established in connection with such Fund. That means that no combination of such individuals shall constitute a majority of the committee, be given veto power, or otherwise be permitted to control the committee's decisions. Donor-advisors and related persons may provide advice with respect to the selection of grant or award recipients solely as members of a selection 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 any selection committee shall 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 and confidentiality policies. Every member of any selection committee 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.

No grant covered by this policy may be awarded to any member of the Community Foundation's Board of Directors, any substantial contributor to the Community Foundation, any employee of the Community 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 a selection 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.

Selection committees established under this policy shall forward scholarship award recommendations to Foundation staff in such form and on such schedule as the staff shall establish. Scholarship Grants will be reviewed and approved by the Foundation's Board of Trustees.

6. Employee Scholarships

Employer-related scholarship programs are subject to additional IRS rules above and beyond those that apply to general scholarships. For corporate scholarships, the Foundation staff will work closely with the donor and committee to ensure the scholarship program adheres to the guidelines so that it is considered a taxable expenditure and does not threaten the Foundation's exempt status.

7. Fundraising

Primary responsibility for fundraising for a scholarship resides with the donor who establishes the Fund. The Foundation will announce through its communication channels (newsletter, social media) information about newly established scholarship and will, from time to time, issue other communications about its scholarship program including application timelines, award announcements and donor-initiated fundraising drives and can provide guidance and expertise around successful fundraising techniques. All fundraising efforts on behalf of the Fund must adhere to the Foundation's Donor Initiated Fundraising Policy.

8. Promoting Scholarships

Foundation staff and designated members of selection committees 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 encourage potential awardees to submit applications for scholarship aid. The Foundation will maintain a page on the Foundation's website describing the scholarship. Scholarship committees and related organizations are additionally responsible for advertising the scholarship to their constituents.

9. Application Process

The Foundation will work with donor-advisors to develop an application appropriate to the purpose of the scholarship and which is not an undue burden on the applicant. Applicants for Scholarship Grants 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. The application may be hosted by the Foundation or by an organization or group associated with the scholarship; an application managed by a group other than the Foundation must be reviewed and approved by the Foundation prior to implementation and must submit to the Foundation all applications for retention (see "Recordkeeping" section below).

10. Payments to Educational Institutions

Scholarship Grants shall be paid by the Foundation directly to the educational institution for the use of the scholarship recipient and may be used for qualified educational expenses. The educational institution must agree to use the grant funds to defray the scholarship recipient's expenses only if 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. The Foundation will issue Scholarship Grants to be administered by the educational institution over the entirety of the academic year (i.e., split by term – e.g., semester or quarter – as appropriate to the institution) unless otherwise recommended by the Committee and approved by the Board of Trustees. The educational institution is instructed to refund to the Foundation any remainder of

the Scholarship Grant if the student withdraws mid-year or otherwise becomes ineligible for the scholarship grant.

Before issuing a scholarship grant, the scholarship recipient must submit to the Foundation a signed Scholarship Recipient Agreement agreeing to the conditions of the grant and informing the Foundation of their student ID and the educational institution to which the grant check is to be sent. Reasonable efforts will be made by the Foundation to notify students of their scholarship grants and to obtain required documentation for issuing the grant. The scholarship grant will be considered forfeited if the student does not submit paperwork or inform the Foundation of alternate plans by the end of the academic year for which the scholarship grant is awarded.

11. Deferrals

Scholarship Grants may be deferred by the recipient for up to one year from the start of the academic year for which the grant was intended or, in the case of a mid-year withdrawal from school, one year from the interrupted term. Scholarships that are “continuing,” that is, an applicant may re-apply for subsequent years of funding (as opposed to a one-year award or a renewable award), may choose, depending on the situation, not to allow a deferral but rather encourage the grantee to apply again the following year.

12. Investigation of Jeopardized Grants

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.

Where reports submitted or other information indicate that such a grant is not being used for its intended purpose, the Foundation is under a duty to investigate. While conducting its investigation, the Foundation will withhold further payments to the extent possible until any delinquent reports required under these procedures have been submitted. The Foundation also will take reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant.

However, if the grantee has not previously diverted grant funds, the Foundation may elect to continue further payments to the grantee if it receives the grantee's assurance that future diversions will not occur, that the grantee has restored the missing funds and that the grantee will take extraordinary precautions prescribed by the foundation to prevent future diversions from occurring. If a further diversion takes place, the Foundation will take steps to recover the grant.

The phrase "all reasonable and appropriate steps," includes legal action where appropriate, but may not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

13. Recordkeeping Requirements

The Foundation shall retain the following records in connection with all Scholarship Grants: all information obtained by the Foundation to evaluate the qualification of potential grantees, the identification of grantees and award amounts by the selection committee (including any relationship of any grantee to the Community Foundation or to a director or officer of the

Community Foundation), and any additional information the Foundation obtains in complying with its grants administration procedures. Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants. Records pertaining to any grant made pursuant to this policy shall be kept for a period of time consistent with the Foundation's Recordkeeping Policy.

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.