

THE COMMUNITY FOUNDATION
of Shelby County

Build Today...Dream for Tomorrow

Scholarship Funds

Information to guide the establishment and operation of charitable funds that support student scholarships.

Scholarships Funds are restricted charitable funds that award grants to assist with education expenses for one or more students.

How to Establish a Charitable Fund

The Scholarship Fund is established with two basic items: a signed fund agreement and a gift. The Community Foundation has available a template fund agreement that may be used as a starting point for determining the purpose and eligibility criteria of the scholarship.

Determining the Purpose and Eligibility Criteria of a Scholarship

Charitable fund donors typically outline the criteria used to award a scholarship. Scholarships must be awarded in a process that is open and objective and encourages applications from a broad group of individuals.

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 will adhere to legal standards regarding nondiscrimination.

A fund document may contain any of the following eligibility criteria that the donor feels are important to the selection of an appropriate candidate.

- 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
- Membership or participation in a recognized club or organization
- Membership of a church
- Other criteria specific to an occupation or course of education

Application and Selection

When possible, all scholarships shall be included in the combined application for Community Foundation scholarships. The Foundation will mail or email applications to local high schools and any high schools specified in a scholarship agreement. Applications will also be sent to colleges, universities and vocational institutes as appropriate and within reason. Applications will also be available from the CFSC office or on the web site at www.commfoun.com.

Unless a scholarship is awarded because of an achievement, such as class valedictorian or 'FFA Member of the Year', a selection committee reviews applications and recommends to the Foundation board of trustees the names of scholarship recipients.

Selection committee members must be approved by the board of trustees each year. In the fund agreement, it is recommended that selection committee members be named by position rather than by name, when possible. It is preferred that local schools be involved with selection and that three to five individuals serve on a selection committee.

Individuals serving on a selection committee cannot derive economic benefit, either directly or indirectly, from the scholarship process. 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 the Foundation.

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, the grant will be paid to the student and the school or to the school only, and the misuse of funds will require the student to repay the misused portion.

The Foundation may withdraw a scholarship if a student does not comply with a scholarship fund's eligibility requirement such as enrollment in a named university.

Receiving the Award

Students receive their award checks by submitting a signed acceptance letter and a document from their college showing proof of enrollment. Awards that are greater than \$1,000 are typically paid in installments over an academic year. Awards that are \$1,000 or less are paid in a lump sum and typically in advance of the Fall term.

A few scholarships require that a condition is met before the Foundation may issue a scholarship payment. For instance, some scholarship programs require that the student complete the Fall college term before receiving the award. The Foundation will not evaluate a student's financial need after the award has been made, even if financial need was a selection criteria.

The Foundation does administer multi-year, or renewable, scholarships.

Charitable Fund Operational Items

- **Minimum Asset:** The minimum asset size for a charitable fund is \$25,000 or a larger amount that can sustain the scholarship awards each year. This amount may be accumulated through a single or several gifts and over a period of 60 months. This 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. Funds that do not achieve or maintain the asset minimum within 60 consecutive months may be incorporated into another scholarship fund or ‘spent down’ to deplete the principal. 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.
- **Gifts:** Several types of gifts may be used to create a charitable fund. Please see the Foundation’s Gift Acceptance Policy for information.
- **Investment:** Assets of a charitable fund are co-mingled and invested by the Foundation. The Foundation shall separately account for each charitable fund. A donor may provide input into the investment of a charitable fund’s assets. An Investment Request Letter may be signed and submitted, giving our Investment Committee and Board insight into the donor’s wishes.
- **Fees:** Administrative and investment fees are assessed according to the Foundation’s Fee Schedule.
- **Endowed Funds:** To be considered an endowed fund, the principal shall not be invaded and the fund will be expected to grow at a minimum rate of 50% of the annual cost of living. Granting will be deferred if the fund’s value either falls below its endowed principal or it fails to meet the Foundation’s requirement for a minimum asset size. Charitable funds that enable the spending of income and principal are not required to abide by this item.
- **Governing Documents:** 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 are subject to amendment by the Board of Trustees to comply with any relevant Federal or State statute or regulation.