

## **POLICY FOR AWARDING SCHOLARSHIPS AND INDIVIDUAL ACHIEVEMENT AWARDS**

### **Introduction: Scope and Intent of the Policy**

The Community Foundation of Howard County ("the Foundation") from time to time holds and administers certain funds (the "Funds") that provide scholarships for individuals, including high school, college students, to enable the recipients to complete an undergraduate education in the field of their choice at the college of their choice. The Foundation also holds and administers certain Funds that make grants on behalf of individuals for vocational or other training. Grants made from such Funds shall be referred to as "Scholarship Grants."

The Foundation also from time to time holds and administers certain Funds that make grants on behalf of individuals in recognition of achievement in the fields of art, literature, education, science, public or community service, or for other charitable or civic achievement. Such awards may not be used to finance any specific activities of the recipients and may not impose conditions on the manner in which the awards may be expended by the recipient of Grants made from such funds shall be referred to as "Individual Achievement Awards".

The Foundation has established the following procedures pursuant to which Scholarships and Individual Achievement Awards will be awarded from funds where Donor-advisors have advisory privileges or participation in the selection of Scholarship or award recipients.

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 where such Fund is separately identified by reference to contributions of the Donor-advisor and with respect to which the Donor-advisor (or any person appointed or designated by such Donor-advisor) 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 Foundation values and encourages the interest and involvement of donors to funds established to make Scholarships and Individual Achievement Awards. Such involvement may include developing criteria for awards, serving on Scholarship selection committees and recommending others for selection committees.

### **Compliance with Internal Revenue Code:**

Federal legislation was enacted in August 2006 to amend certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), prohibiting donor advised funds, as defined in Code Section 4966 from making grants to individuals. Section 4966(d)(2)(B)(ii) excepts certain scholarship and award funds from the definition of Section 4966 provided such grants are made in accordance with certain procedures.

The following 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. These procedures may be amended from time to time.

### **Selection of Grantees**

Grantees 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 Scholarships to one or more members of the group fulfills a charitable purpose; however, 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 Scholarship or it is otherwise evident that the selection is particularly calculated to effectuate the charitable purpose of the grant rather than to benefit particular persons or a particular class of persons. For example, selection of a qualified research scientist to work on a particular project does not violate the requirements of this paragraph if the scientist is selected from a group of three scientists who are experts in that field.

1. **Scholarship Grants** -- In connection with Scholarship Grants, Foundation staff and designated members of the Scholarship Committee 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.
2. **Individual Achievement Awards** -- In connection with Individual Achievement Awards, Foundation staff and designated members of selection committees established for such awards shall contact relevant community institutions and individuals to publicize the availability of the Foundation's Individual Achievement Awards and to solicit nominations for such awards. Candidates for such awards may take no part in the selection process.

### **Criteria for Selection**

The criteria to be used in selecting scholarship or award recipients from a fund established at the Foundation must be based on criteria that are appropriate to accomplishing the underlying purpose of the grant 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.

1. **Scholarship Grants** – For Scholarship Grants, such 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 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 conclusions which the Scholarship 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 any federal, State or local law or regulation.

Recipients of Scholarship Grants must be (1) secondary school students; (2) undergraduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic degree; or (3) students – whether full-time or part-time – who receive a Scholarship Grant for study at an educational institution that provides an educational program acceptable for full credit toward an associates or bachelor's degree, or offers a 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 and all Scholarship Grants must be used for tuition and related expenses (as further described in Section VII below) at an educational institution described in IRC § 170(b)(1)(A)(ii), i.e., such institution must normally maintain a regular faculty and curriculum and must normally have a regularly organized body of students in attendance at the place where the educational activities are carried on.

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.

2. **Individual Achievement Awards** – In connection with Individual Achievement Awards, such criteria may include but are not limited to: the individual's past achievements and community involvements, other biographical information regarding an applicant's career, academic and other relevant experiences.

The Foundation reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Individual Achievement

Awards and the administration of such grants. Any substantial or material changes will be made only with approval of the Foundation's Board of Trustees.

### **Scholarships Committee Membership**

The Scholarships Committee shall be a sub-committee of the Grants Review Committee of the Board of Trustees. The Chair of the Scholarships Committee shall be appointed by the Chair of the Grants Review Committee and he/she must be a current member of the Board of Trustees. The Chair of the Scholarships Committee, with input from the Foundation's Program Officer, shall appoint all members of any selection committee(s) charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards.

No combination of Donor-advisors, persons recommended or designated by Donor-advisors (or persons related to any of these persons) to a Fund that makes Scholarship Grants or Individual Achievement Awards may, directly or indirectly, control any selection committee established in connection with such Fund. For example, Donor-advisors, persons recommended or designated by Donor-advisors and persons related to any of these persons shall not constitute a majority of any such selection committee (persons may include individuals, partnerships, corporations or trusts). Where a Donor-advisor recommends a person for appointment to a selection 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 Scholarship or award recipients solely as members of a selection committee.

Every member of any selection committee charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards shall adhere to the relevant policies of the Foundation as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy. Every member of any selection committee charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards shall be obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to 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.

Each selection 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 authorize Foundation staff to approve any or all of the grants made under this policy.

### **Conflict of Interest:**

Consistent with the Foundation's Conflict of Interest and Duality of Interest Policy, no grant covered by this policy may be awarded to any member of the Foundation's Board

of Trustees, any Foundation committee or subcommittee, any substantial contributor to the Foundation, any employee of the Foundation, any family member of such individual or any other disqualified person as defined in Internal Revenue Code § 4946(a) with respect to the Foundation, or, with respect to grants from a particular Fund; any Donor-advisor or substantial contributor or family member thereof to such Fund, or, or for a purpose that is inconsistent with the purposes described in Internal Revenue Code § 170(c)(2)(B).

### **Application and Nomination Process**

Applicants for Scholarship Grants or Awards to Achieve a Specific Objective 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. Individuals and organizations wishing to nominate others for Individual Achievement Awards shall also be required to submit such nomination forms and supporting materials as the Foundation may deem appropriate on a schedule to be determined by the Foundation.

### **Scholarship Renewals**

Grants will ordinarily be awarded for a one-year period, but may be for a shorter or longer period. A Scholarship Grant or an Individual Achievement Award may be renewable for a period appropriate to the purposes of the Fund under which the award is established. Otherwise, the Foundation may consider renewing a Scholarship on a case-by-case basis according to the status of the Scholarship's project and the purposes of the Scholarship.

### **Supervision of Scholarship Grants**

1. **General Procedures** – Unless otherwise provided in the fund agreement establishing a scholarship, each Scholarship Grant shall be paid by the Foundation directly to the educational institution for the use of the Scholarship Grant recipient. Each educational institution must be described in IRC § 170(b)(1)(A)(ii) and shall be advised in writing Scholarship funds may only be used to defray the Scholarship Grant recipient's school expenses or to pay the funds (or a portion thereof) to the recipient 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. It shall be the responsibility of the student to provide a letter of acceptance and student ID# to verify enrollment prior to disbursement of the Scholarship Grant.

Unless otherwise provided in the fund agreement establishing a Scholarship Grant, a condition of each Scholarship Grant is that it will be used only for qualified tuition and related expenses within the meaning of IRC § 117(b)(2), and for room and board. Accordingly, a Scholarship Grant can be used only for: (1) tuition and fees required for the enrollment or attendance of the student at a qualifying institution; (2) fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and (3) room and board.

An additional condition is that no part of the Scholarship Grant shall be used as payment for teaching, research, or other services by the Scholarship recipient required as a condition for receiving the grant.

## **2. *Special Procedures* --**

If the Foundation learns that all or any part of a Scholarship Grant is not being used in furtherance of the purposes of the Scholarship Grant, the Foundation shall take all reasonable and appropriate steps to recover the Scholarship Grant funds and/or ensure restoration of the diverted funds to the purposes of the Scholarship Grant. If such a diversion occurs and the Scholarship has not previously diverted Scholarship funds to any use not in furtherance of the purposes of the Scholarship, the Foundation shall withhold any further payments to the Scholarship Grant, if applicable, until it has received the Scholarship's assurance that future diversions shall not occur and shall require the Scholarship to take extraordinary precautions to prevent future diversions from occurring.

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

### **Supervision of Individual Achievement Awards**

Individual Achievement Awards need not require a recipient to use of the funds, and no report shall be required of the recipient.

### **Recordkeeping Requirements**

The Foundation shall retain the following records in connection with all Scholarship Grants and Individual Achievement Awards: all information obtained by the Foundation to evaluate the qualifications of potential Scholarships, the identification of Scholarship Grant (including any relationship of any grantee to the Foundation or to a director or officer of the Foundation), the purpose and amount of each Scholarship Grant, 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 no less than three years after the filing of the Foundation's annual tax return for the period in which the last installment of such grant was paid.