



Yolo Community Foundation Policies and Procedures for Scholarship Funds

The Yolo Community Foundation administers a wide variety of scholarship funds that make it possible for donors to provide support to individual students for educational costs. The Foundation actively encourages donors to be engaged with their scholarship funds within the limits identified by the Pension Protection Act of 2006. In order to assure compliance with federal regulations, the Foundation requires that all scholarships be established and administered according to certain policies and procedures, identified as follows:

Setting Up a Scholarship Fund and a Scholarship Process

Scholarship funds are established with a Fund Agreement that identifies the name of the fund and describes in broad terms the purpose of the fund. Once a Fund Agreement is signed and the charitable gift is completed, the document may not be amended by the donor. Therefore, selection criteria or desired characteristics of recipients should be outlined in a letter appended to the Fund Agreement. The letter may be easily revised and/or amended if needed. We strongly encourage prospective donors to meet with Foundation program staff before signing a fund agreement or drafting letters of intent. Our knowledge and expertise will ensure that their desires are met appropriately.

The eligibility and selection criteria of the scholarship must be broad enough to satisfy legal requirements and to attract worthy candidates. The criteria must be narrow enough to be manageable in relation to the dollars available. The Foundation retains the right to alter the criteria of a scholarship to keep it appropriate and to uphold the donor's intent.

Once the fund is established, the Foundation Board of Directors becomes the owner of the fund with ultimate responsibility for ensuring that its criteria and procedures are objective, non-discriminatory, and in compliance with all regulations. The Board also ensures that any involvement by "donors and related parties" is within legal boundaries. (See **Donor Involvement**, below).

The Board may delegate the actual recipient selection process to an organization authorized by the Foundation to assume the responsibility for distributing and evaluating applications and conducting the selection process according to the established criteria. In many cases, the most appropriate organization will be either a high school or college. The organization must assure the Community Foundation that a fair and equitable process for reviewing and selecting recipients according to the criteria of the award is established and maintained, that an open, fair and equitable process was used to select the recipient(s), and that the criteria of the scholarship as determined by the donor and the Foundation were fully met.

Administration of Scholarships

Once a scholarship process is determined, a guidelines and eligibility sheet is developed and maintained by the Foundation for each scholarship award. This document is reviewed annually and updated or amended if changes are needed to keep the scholarship relevant and in compliance with regulations. The guidelines and eligibility sheet must accurately reflect the intent of the donor and the Foundation's current administrative process. The guidelines and eligibility sheet is sent annually to outside organizations that manage scholarship selection processes, and it is posted on the Foundation website. The guidelines and eligibility sheet includes the following elements:

- Name of Scholarship
- Purpose of Scholarship
- Number and Size of Awards
- Allowed Use of Award
- Eligibility Criteria
- Application Process
- Committee/Selection Process
- Award Announcement and Payment
- Instructions for Renewal
- Other

Data on all schools and students are accurately maintained in the Foundation database, and electronic and paper records are governed by confidentiality and record retention policies.

Donor Involvement

Individuals, organizations or companies that establish permanent scholarship funds may be involved in a number of ways, such as participating on a selection committee, presenting at award ceremonies, helping with publicity about the scholarships, receiving updates from students, etc. However, recent regulations have clarified that donors and related parties may not control the recipient selection process, and no donor or related party may receive a scholarship from the fund. *Donors* are defined as any individual, family, organization, group, or company that establishes or contributes to a scholarship fund. *Related parties* are the immediate and extended family of the donor and their advisors, attorneys, official delegates, etc.

Examples of donor involvement that are not allowed under the regulations include funds established by professional or alumni groups for which members of the group serve as the selection committee; funds established by corporations with selection committees consisting of corporate employees; funds established by a family with recipients selected by members of that family; and funds established by churches or other charities with selection committees comprised of the boards of the organizations. In order to operate legally and avoid fines and penalties, any fund with active donor involvement must meet all the following tests:

- The Foundation officially appoints all of the members of the committee and the donor's advice is given solely as a member of the committee;
- The donor and/or related parties do not control the committee directly or indirectly; and
- All scholarship grants are awarded on an objective and nondiscriminatory basis using a procedure that has been approved in advance by the board of directors of the Foundation and that meets the IRS-defined requirement for grants of this type.

Payment of Awards

Once recipients are selected, an award letter outlining the amount of the award, the purpose for which it must be used, and requirements (if any) that must be met before receiving the award is sent by the Foundation to the scholarship recipient, along with a copy of *Important Information for Yolo Community Foundation Scholarships*. The Foundation reserves the right not to pay an award if a suitable candidate is not selected. Typically, the award check is paid directly to the school after the student has confirmed his/her enrollment and met any other criteria. Payment may be made directly to the student with proper documentation.

The Community Foundation recommends that awards be made for tuition, room and board, and/or related educational expenses, as limiting the use of the scholarship to “tuition only” can actually reduce the amount of aid a student receives. We also suggest a minimum scholarship award of \$500. If an award is to be paid in more than one installment, appropriate contingencies such as maintaining a minimum Grade Point Average and enrolling for a full time course load may need to be met before additional payments are issued.

Publicity

Scholarship information is distributed through channels that will reach an intended pool of applicants. Information about scholarships administered by Yolo Community Foundation is also available on our website, www.yolocf.org, which is updated regularly.