

Community Foundation of Greater Muscatine Scholarship Policy

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Board Approved Revision: 03/24/2015

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Resolution

WHEREAS, the Community Foundation of Greater Muscatine (the "Community Foundation") has funds that were established for the purpose of providing scholarships and other charitable awards to individuals; and

WHEREAS, federal legislation enacted in August 2006 amends certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), prohibiting donor advised funds, as defined in Code Section 4966 ("Section 4966 Donor Advised Funds"), from making grants to individuals; and

WHEREAS, Code Section 4966(d)(2)(B)(ii) exempts certain scholarship and award funds from the definition of Section 4966 Donor Advised Funds, provided such grants are made in accordance with certain protocols ("Section 4966 Scholarship Funds"); and

WHEREAS, these protocols require, inter alia, that all grants to individuals be "awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the board of directors of the sponsoring organization, and such procedure is designed to ensure that all such grants meet the requirements of paragraphs (1), (2), or (3) of section 4945(g)";

BE IT HEREBY RESOLVED, that all grants made to individuals from Section 4966 Scholarship Funds of the Community Foundation shall be made only for the purposes set forth in Code Section 4945(g)(1), (2) or (3), or as otherwise authorized by law; and

FURTHER RESOLVED, that all grants to individuals from Section 4966 Scholarship Funds of the Community Foundation will be made on an objective and nondiscriminatory basis from a pool of persons chosen on the basis of criteria reasonably related to the purposes of the particular fund from which the grant is made (for this purpose, limitations based on sex, religion, or race are permitted where not contrary to public policy); and

FURTHER RESOLVED, that no employee of the Community Foundation, nor any member of a selection committee recommending grants to individuals, may derive, directly or indirectly, a private benefit in connection with a grant from a Section 4966 Scholarship Fund; and

FURTHER RESOLVED, that the Community Foundation hereby adopts the attached "Policies and Procedures of the Community Foundation of Greater Muscatine for Scholarships (the "Procedures"), which are made a part hereof, in order to ensure that grants to individuals from Section 4966 Scholarship Funds meet the requirements of Code Section 4945(g)(1), (2), and (3)

and Code Section 4966; and

FURTHER RESOLVED, that the officers of the Community Foundation be, and each of them hereby is, authorized and empowered to appoint, or cause to be appointed, selection committees to enable Section 4966 Scholarship Funds to qualify for the exception to the definition of a donor advised fund under Code Section 4966 and to make non-material changes to the Procedures; and

FURTHER RESOLVED, that the officers of the Community Foundation be, and each of them hereby is, authorized and empowered to approve or cause to be approved grants hereunder, and each such officer is authorized and empowered to take such other and further action as he or she shall deem necessary or desirable in order to carry out the foregoing.

Scholarship Selection

Introduction

The Community Foundation of Greater Muscatine (the “Community Foundation”) from time to time holds and administers certain Scholarship Funds that provide scholarship grants to individuals, including high school, college, and graduate school students. The Community Foundation may also hold and administer certain Funds that make grants to students in primary and secondary school to attend various educational programs and to other individuals for vocational, technical, or other training. Grants made from such Funds are referred to as “Scholarship Grants.”

Scholarship Granting Procedure

The Community Foundation has established the following procedures pursuant to which Scholarship Grants will be awarded from Scholarship Funds where donors have any participation in the selection of scholarship grant recipients. The following procedures shall be interpreted so as to ensure the Community 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.

Definitions

Donor

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 and with respect to which the donor (or any person appointed or designated by such donor) 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 donors status as a donor. The term also includes members of the donor’s family and businesses controlled by the donor and family members.

Representative

A person appointed or designated by a donor to have advisory privileges with respect to the distribution or investment of amounts with respect to a Fund. The term also includes members of the representative's family and businesses controlled by the representative and family members.

Educational Institution

A school (including a technical, trade, or vocational school), junior college, college or university that is: operated or directly supported by the United States; operated or directly supported by any State or local government or by a political subdivision of any State or local government; or approved by a State agency or subdivision of the State, or accredited by a State-recognized or nationally recognized accrediting body.

Qualified Educational Expenses

Certain expenses incurred in attending an educational institution. They are:

- Tuition and fees for enrollment and attendance.
- Course-related expenses such as fees, books, supplies, and equipment required of all students for courses of instruction.
- Room and board. Payments for expenses in this group are not exempt from income tax.

Related Persons

The term includes both a donor or representative's family members and businesses they control:

- **Family Members**
An individual's parents, grandparents, great grandparents, spouse, siblings, children, grandchildren, great grandchildren, and the spouses of all the above.
- **Controlled Businesses**
Corporations, partnerships, and trusts or estates if the donor or representative and family members own more than 35 percent of the total combined voting power (corporations), 35 percent of the profits interest (partnerships), or 35 percent of the beneficial interest (trusts or estates).

Selection of Scholarship Grantees

Grantees are to be selected on an objective and nondiscriminatory basis. The groups from which grant recipients are selected must be sufficiently broad so that giving grants to one or more member of the group fulfills a charitable purpose; however, selection from such a group is not necessary if one or more grant recipients are selected on the basis of their exceptional qualification to carry out the purposes of the grant 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 is selected from a group of three scientists who are experts in that field.

Scholarship Grants

Community Foundation staff shall contact high school, college, and graduate school scholarship administrators of relevant educational institutions to advertise the availability of the Community Foundation's Scholarship Grants and request that these administrators encourage potential recipients to submit applications.

The criteria to be used in selecting grant recipients should be appropriate to accomplishing the underlying purpose of the grant as described in the Scholarship Fund Agreement. Criteria may include, but are not limited to, the following: academic performance, aptitude test achievement, instructor recommendation, financial need, biographical information regarding applicant's career and academic choices, and other criteria by which the selection committee can draw conclusions on 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, and course of study. 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.

Recipients of Scholarship Grants must be primary or secondary school students; undergraduate or graduate students at a college or university; or students who receive a scholarship for study at an educational institution that provides an educational program acceptable for credit toward a bachelor degree or higher, 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 nationally recognized accreditation agency.

Scholarship Grants must be used for qualified educational expenses at an educational institution. The Community 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 Board of Directors.

Scholarship Grant Selection Committee

The Community Foundation shall appoint all members of any selection committee charged with the evaluation of candidates for Scholarship Grants. Appointments shall be made by the Board of Directors, its duly appointed committee, or designated staff of the Community Foundation.

No combination of Donors, representatives recommended or designated by donors, or persons related to any of these persons, may constitute a majority of any such selection committee. A donor or designated representative may recommend a person for appointment to the 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.

Donors and related persons may provide advice with respect to the selection of grant 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 shall adhere to the relevant policies of the Community 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 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. 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 as defined in IRC 4946(a) with respect to the Community Foundation, or, with respect to grants from a particular Scholarship Fund, any donor or substantial contributor to such Fund or any member of a selection committee to such Fund, or for a purpose that is inconsistent with the purposes described in IRC 170(c)(2)(B).

Each selection committee established under this policy shall forward its recommendations to Community Foundation staff in such form and on such schedule as the staff shall establish.

The Community Foundation Board, or its appointed staff, shall approve each award made under this policy.

Application and Nomination Process

Applicants for Scholarship Grants shall be required to submit such application forms and supporting materials as the Community Foundation may deem appropriate on a schedule to be determined by the Community Foundation or participating educational institutions.

Scholarship Grant Renewals

Grants will ordinarily be awarded for a one-year period but may be for a shorter or longer period. Grants may be renewable for a period appropriate to the purposes of the Fund under which the grant is established.

Scholarship Award Deferrals

Scholarship grants may be deferred up to six consecutive years provided the recipient communicates a request for deferral with the Community Foundation. Recipients will be asked to provide a reason and period for the deferral request. The Community Foundation may request additional information or proof of extenuating circumstances and reserves the right to deny the request, in which case the scholarship award may be forfeited. If a recipient does not communicate a deferral request for a period of one year, the scholarship award may be forfeited at the discretion of the Community Foundation.

Supervision of Scholarship Grants

Unless otherwise provided in the fund agreement establishing a Scholarship Grant, each Scholarship Grant shall be paid by the Community Foundation directly to the educational institution for the use of the scholarship recipient. Each educational institution must be described in IRC 170(b)(1)(A)(ii) and must agree to use the grant funds to defray the scholarship recipient's qualified educational expenses upon proof of registration.

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 educational expenses within the meaning of

IRC 117(b)(2), and for 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 condition for receiving the scholarship.

Recordkeeping Requirements

The Community Foundation shall retain the following records in connection with all Scholarship Grants: all information obtained by the Foundation to evaluate the qualifications of potential grantees, the identification of grantees (including any relationship of any grantee to the Community Foundation or to a director or officer of the Community Foundation), the purpose and amount of each grant, and any additional information the Community Foundation obtains in complying with its grants administration procedures. Records pertaining to unsuccessful applicants for awards shall be kept along with records pertaining to any grant made pursuant to this policy shall be kept in accordance with the Community Foundations Document Retention Policy and in accordance with the Community Foundations Privacy Policy.