



QUESTIONS AND ISSUES REGARDING ESTABLISHMENT OF SCHOLARSHIP FUNDS

Endowed scholarship funds are appropriate types of funds for community foundations to hold and administer. Most of the country's 700+ community foundations have such funds, with numerous foundations having multi-million dollar scholarship programs.

There are two primary considerations with scholarship funds. The first is that the Foundation must ensure that the scholarship criteria which are developed are fair, equitable and non-discriminatory and do not enable donors to improperly provide benefits to family members. The second is that the Foundation must have final approval on all scholarship grants, just as it does with all other types of grants.

With the enactment of new federal legislation in 2006, scholarship grants may no longer be paid to individual recipients. Instead, all scholarship grants must be paid directly to the institution in the student's name.

The Foundation can provide you with a copy of our Scholarship Guide. In addition, here are some of the major questions and issues in designing a scholarship fund.

1. What will be the name of the scholarship fund?

Example: The Mary and John H. Smith Scholarship Fund
John H Smith Memorial Scholarship Fund

2. What will be the basic purpose of the scholarship fund?

Example: To provide support for students pursuing an undergraduate degree.
To provide support for students enrolled in graduate or doctoral programs.

3. What will be the initial assets of the scholarship fund?

a. Amount desired to be awarded each year will influence the amount needed to establish the fund.

- b. Number of scholarships desired to be awarded annually will influence amount needed to establish the fund.

4. What will be the guidelines and criteria for the scholarship funds?

- a. Basis of awards: Is it merit or financial need or both?
- b. Geographic residency requirements: county, region, state, none?
- c. Limited to a specific college? Accredited two- or four-year school; vocational or technical; graduate school; postgraduate school?
- d. “Class” of students eligible: high school senior, non-traditional student, etc.
- e. Is the scholarship renewable? If so, for one, two or three additional years? And if so, what are the requirements for renewing? (Usually “making satisfactory progress”)
- f. Academic criteria: Is there a minimum grade point average initially and for renewal?
- g. Are there special criteria of particular interest to the donor?
 - An emphasis of volunteerism
 - Students who plan to major in art and music

5. For what purposes may the scholarship funds be used? Suggested:

- a. Tuition and Fees
- b. Books
- c. Related educational expenses

6. Will there be an Advisory Committee, and how will it function?

- a. Advisory committees are appropriate and very helpful to the Foundation, which must appoint the members of the selection committee. While an advisor may suggest some members of the committee, the Foundation must have the power to accept or reject any suggestions. The Foundation will have to review and approve annually the members of all advisory committees subject to this rule. It is desirable that the committee should be small, approximately five to seven members.
- b. The donor and related parties may sit on an advisory committee, but they may not make up a majority of the committee. The majority of the committee must be made up of individuals who are not related parties and who are not designated or appointed by the donor. Related parties include relatives and employees of the donor. The donor's attorney will generally be considered a related party.
- c. The advisory committee member's duty is to screen, interview (if necessary) and recommend persons to the Foundation for final approval.

7. How will the application procedures work?

- a. Typical Scholarship Timeline:

January	<ul style="list-style-type: none"> • Electronic applications and Scholarship Guide are made available on the Foundation's website. • Scholarship application packets are mailed to public and private schools, faith-based schools and other institutions.
January - April	<ul style="list-style-type: none"> • Students review Scholarship Guide and scholarship descriptions to determine eligibility. • Students complete and deliver applications along with all necessary support materials to the Foundation. (Typically the first week of March) • Foundation staff distributes applications to appropriate scholarship committee members. • Scholarship Advisory Committees meet and make recommendations.
End of April	Scholarship Recommendations Forms are due.
May	<ul style="list-style-type: none"> • Scholarship Advisory Committee recommendations are forwarded to the Foundation for review/approval. • Scholarship reception typically held the third week of May.
End of June	<ul style="list-style-type: none"> • Grant payments are mailed directly to the college or university in the recipient's name.

b. Standard Application Packet:

- i. Application
- ii. Financial Information Form and/or Student Air Report
- iii. Three Letters of Recommendation
- iv. SAT Score
- v. Official Transcript
- vi. Essay (if necessary)

While there are a lot of issues to be decided upon, the Foundation always recommends that the procedures and requirements be kept as simple and inclusive as possible to benefit the most potential recipients.

Please note that all scholarship recipients will be notified of the award and the name of the Fund from which the award originated. The Foundation will publicize the grants in the most appropriate manner. It is often the case that the scholarship awards are presented by Foundation staff, scholarship committee chair(s) or donor(s) at its annual scholarship reception.