



Scholarship Fund Guidelines

Revised November, 2011

Scholarship funds are a popular option for donors who wish to memorialize a loved one, or for donors whose area of philanthropic interest is education. Scholarship funds are an excellent way to build an enduring, permanent resource that ensures perpetuation of the donor's support of education in the community.

The following policies and guidelines have been established to govern the handling of Scholarship Funds in a manner consistent with the purposes of the Foundation and in keeping with applicable tax regulations.

1. Minimum Amount

The minimum amount required to establish a Scholarship is \$25,000, designated as endowment. Donors who intend to establish a fund may take up to 5 years to reach the fund minimum. If, at the end of five years, the fund has not reached the minimum, the fund will be added to the unrestricted grant fund within the Foundation. If the fund has at least \$5,000 at the end of five years, the donor will receive permanent recognition in Foundation materials.

2. Investment of Funds

Scholarship Funds belong to the Foundation and are subject to the terms and conditions of its governing instruments. Scholarship funds are commingled with other Foundation funds to encourage maximum investment performance. The Foundation's portfolio is managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while at all times being prudently diversified. A copy of the Foundation's investment policy is available on request.

3. Outside Investment Managers

Donors may request to use an outside investment manager if the fund maintains a minimum balance of \$25,000. If the request is granted, the fund remains a component fund of the Foundation, but is managed and invested by a bank, trust company or other entity of the donor's choice. In order to manage component funds for the Foundation, outside fund managers are required to sign an investment management agreement with the Foundation, and maintain an investment performance level that is acceptable to the Foundation's Investment Committee.

4. Fund Agreement

When the fund is established the donors will complete a Scholarship Fund Agreement. This memorandum is prepared by Foundation staff together with the donors. The memorandum includes instructions for the Foundation regarding the donors' wishes for scholarship criteria, the amount of the award, and the process for determining award recipients.

5. Awards

All scholarships must be at least \$250. The Foundation will honor the award recommendation outlined in the scholarship fund agreement. The Foundation recommends scholarships are awarded in the amount of 5% of the fund balance annually to preserve principal, encourage growth and provide a consistent annual award. Once the fund is established at the \$25,000 minimum, and invested for a full year, scholarships will be paid as long as the balance of the fund is above \$20,000.

The Foundation makes scholarship awards payable jointly to the student and the educational institution, and sends the award check directly to the institution.

6. Permissible Recipients

Scholarships are designed to benefit students. Through the scholarship fund agreement, donors can establish criteria for eligible recipients. Eligibility can include graduation from a particular school, enrollment in a particular school, or a particular field of study. Under no circumstances may scholarships be given to a predetermined recipient. Family members of the donor or of selection committee members are not eligible recipients.

7. Administration and Record-keeping

The Foundation will create the scholarship application and distribute the application in order to encourage as many applicants as possible. Applications may be returned to the Advisory committee, a school counseling office, or directly to the Foundation.

The Foundation requires the advisory committee to provide copies of every application received for each scholarship being considered. The Foundation then retains these records, along with the advisory committee selection papers, according to IRS recommendations.

8. Award Selection/Advisory Committees

Whenever feasible, scholarship award recipients should be recommended to the Foundation from an advisory committee. Such committees can be made up of individuals in a position to review the applications and the scholarship criteria, and make appropriate recommendations. Donors are not permitted to select scholarship recipients from their own fund. A donor, members of the donor's family or other related parties to the donor may not comprise the majority of an advisory committee,

Advisory committees present their recommendations to the Foundation along with the Foundation's signed conflict of interest form and copies of all applications. The scholarship recommendation forms (which include the name and position/title of each member of the selection committee) for each scholarship shall be presented to the board for ratification/confirmation along with the scholarship recipients.

9. Anonymity

Unless the donor wishes to remain anonymous, the Foundation identifies for scholarship applicants the donor responsible for the establishment of the scholarship fund. Scholarship recipients are encouraged to acknowledge the donor whose generosity made the award possible. For donors who wish to remain anonymous, the Foundation will honor that request, and will serve as the go-between for acknowledgments from the award recipients and the donors.

10. Subject to Governing Instruments

All funds are subject to the terms and conditions of the Foundation's governing instruments, as amended. Among other things, the governing instruments provide that the Foundation has the power to modify and vary any donor direction or restriction in the event it becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

11. Administrative Contributions and Special Fees

(a) All component funds are required to share in the administrative costs of operating the Foundation. Although the Foundation has a separate and permanently endowed administrative fund that supports the Foundation's work, the Foundation reserves the right to annually assess from each fund a contribution in an amount not to exceed 1% of its average daily fund balance as of June 30; provided, however, that for funds greater than \$1 million in size, the contribution will be based only on the first \$1 million of the average daily fund balance. The administrative contribution supports the charitable work of the Foundation by assisting in covering administrative costs so the Foundation can achieve its goal of increasing philanthropic giving and improving the quality of life in our community

(b) If the Foundation opts to exempt (in part or in full) component funds from the maximum 1% contribution for a given year, Scholarship Funds that designate more than 80% of their annual distributions to institutions whose operations are not principally within the greater Salina area (i.e., Saline County charitable organizations and non-Saline County charitable organizations that are Founding Donors to the Foundation) or to students from the Saline County area, will not be exempt and will contribute the full 1% for that year on the average daily fund balance, even if in excess of \$1 million. The Foundation recognizes that its generous administrative endowment was created by individuals, families, private foundations, and businesses within the greater Salina area, largely for the betterment of the greater Salina area. Therefore, a fund that does not provide for at least 20% of its annual distribution to go to one or more charitable organizations operating principally within the greater Salina area will always contribute the full 1%.

(c) Each specific component fund will be charged a fee for any extraordinary expenses incurred on behalf of that fund, such as commissions for the sale of contributed securities. Additional fees may be charged for other non-standard services.