

COMMUNITY FOUNDATION OF GREATER BIRMINGHAM SCHOLARSHIP FUND POLICY AND PROCEDURES

INTRODUCTION: SCOPE AND INTENT

The Community Foundation of Greater Birmingham ("Foundation") holds and administers funds ("Funds") that provide scholarship and fellowship grants to individuals, including high school, college and graduate school students. These grants enable the recipients to complete an undergraduate or graduate education in the field of their choice at the college or graduate school of their choice. The 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 or other training. Grants made from such Funds are referred to as **"Scholarship Grants."**

Moreover, the Foundation may hold and administer certain funds that make grants to individuals to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee that relates to the Foundation's mission. Eligible individuals may include graduate students, scholars, professionals, and other individuals with specialized skills or knowledge. Scholarships also may be awarded to pay for a course of study leading to a certificate or to achieve a skill level, such as art or vocational school. Such scholarships may cover the cost of tuition and related expenses. All grants described in this paragraph are referred to as **"Awards and Prizes to Achieve a Specific Objective."**

Except where it is necessary to distinguish among the forms of educational assistance, this policy uses the collective term **"grants"** to refer to all awards of this nature.

The Foundation's Board of Directors ("Board") has approved certain parameters for the creation of scholarship funds (Community Foundation Scholarship Program), which is incorporated as an appendix of these policies and procedures, and may be amended from time to time.

The Foundation has established the following procedures pursuant to which grants will be awarded from Funds where donor/advisors have any advisory privileges or participation in the selection of grant or award recipients. 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, and these procedures may be amended from time to time. The Foundation values and encourages the interest and involvement of donors in both types of funds. Donor involvement may include developing criteria for awards, serving on grant selection committees and recommending others for places on selection committees.

Because donor advised funds are not permitted to make grants to individuals, it is important that all persons involved in the process of selecting individuals for grants covered by this policy adhere carefully to the procedures and policies incorporated in this document.

DEFINITIONS

Advisor – A person appointed by a donor to have advisory privileges with respect to a Fund. The term also includes members of the advisor's family and businesses controlled by the advisor and family members.

Donor – an individual or organization, including a corporation, partnership or trust, that makes a contribution to a Fund.

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

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

Related Persons – The term includes both a donor or advisor’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 of the above.
- Controlled Businesses – Corporations, partnerships, and trusts or estates if the donor or advisor 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 GRANTEES

Grantees are to be selected on an objective and nondiscriminatory basis. The group from which grant recipients are selected must be sufficiently broad so that giving grants 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 grant recipients are selected on the basis of their exceptional qualifications 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.

Scholarship Grants

Foundation staff and designated members of selection committees established for such awards 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 various scholarships and to request that these administrators nominate potential candidates or encourage potential awardees to submit applications for aid.

Awards and Prizes to Achieve a Specific Objective

Foundation staff shall develop application or nomination procedures that are appropriate to accomplish the purposes of the Fund under which any such award is established.

SELECTION CRITERIA

The criteria to be used in selecting grant 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.

Scholarship Grants

Criteria for scholarship grants 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
- The grant selection committee’s conclusions 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 (other than white), ethnic background or religion so long as such preference does not violate public policy.

Recipients of Scholarship Grants must be (1) primary or secondary school students; (2) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (3) students – whether full-time or part-time – who receive a scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor’s or higher 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.

Scholarship Grants must be used for qualified educational expenses (see definition) at an educational institution (see definition). 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.

Awards and Prizes to Achieve a Specific Objective

In addition to scholarships, the Foundation may make grants to individuals to achieve a specific objective, produce a report or other similar product or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill or talent of the grantee that relates to the Foundation's mission.

Criteria must be related to the purpose of the Fund under which the award is established and may include prior experience, contributions to the field, demonstrated academic achievement, financial need, character, ability, motivation and potential. If the award is to pay for a course of study leading to a certificate or a higher skill level, criteria shall be related to the purpose of the Fund under which the award is established and may include financial need, character, ability, motivation, potential and the relevance of the candidate's course of study and career objectives to the charitable purposes of the Fund.

GRANT SELECTION COMMITTEE

The Foundation shall appoint all members of any selection committee(s) charged with the evaluation of candidates for grants covered by this policy. Appointments shall be made by the Foundation's Board of Directors ("Board").

A Fund's donors may not control the selection committee. This means that no combination of donors, persons appointed or designated by donors, and persons (a term that includes partnerships, corporations and trusts as well as individuals) related to them may constitute a majority of the committee, be given a veto power, be allowed to chair the committee or otherwise be permitted to control the committee's decisions. If 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 grant or award recipients solely as members of a selection committee. This means that donors may not pre-screen applications and choose those to be referred to the committee. It also means that donors may not make a final selection from among candidates approved by the committee.

Every member of the selection committee must adhere to the relevant policies of the Foundation as they may be adopted and amended from time to time, including without limitation the Foundation's Conflict of Interest Policy and Confidentiality Policy. Each member of any selection committee covered by this policy must disclose any personal knowledge of and relationship with any potential grantee under consideration and 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.

Grants covered by this policy may not be awarded to any member of the Foundation's Board, any substantial contributor to the Foundation, any employee of the Foundation, or any other disqualified person with respect to the Foundation. Grants also may not be awarded to any donor/advisor or substantial contributor to the Fund making the award, to any member of a selection committee for such award, or to any members of their families. Finally grants covered by this policy may not be made for a purpose that is not charitable.

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 approve each award made under this policy, or may authorize Foundation staff to approve any or all of the grants made under this policy for the Board to ratify.

APPLICATION AND NOMINATION PROCESS

Applicants for Scholarship Grants and Awards and Prizes 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. The Foundation may outsource the application process for some funds using a third party service for the online application process, recommendations, notification of initial awards and

renewal of awards. The Foundation and its Board has the final authority over the selection committee and its recommendations for grants.

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. The Foundation may also consider renewing a grant on a case-by-case basis according to the status of the grantee's project and the purposes of the grant.

SUPERVISION OF GRANTS

Scholarship Grants Paid Directly to the Educational Institution

The Foundation will only pay Scholarship Grants directly to the educational institution for the use of the scholarship recipient. The educational institution must agree in writing to use the grant funds to defray the scholarship recipient's 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. 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. 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 scholarship.

Awards and Prizes to Achieve a Specific Objective

Recipients of Awards and Prizes to Achieve a Specific Objective or, if appropriate, the organization supervising the grantee's work, will be required to provide written confirmation to the Foundation about their activities and use of funds at the end of the grant period. If the grant is for a term of longer than one year, periodic written reports will be required at least annually. Any funds not expended for the purpose of the award must be returned to the Foundation for use in furtherance of its mission and the charitable purposes of the particular Fund under which such award was made.

Investigation of Jeopardized Grants

The Foundation is not required to investigate the use of scholarship grants paid directly to an educational institution unless the award is used to pay for something that is not a qualified educational expense. However, the Foundation does have a duty to investigate possible diversions of scholarship grants paid directly to the recipient and all grants to individuals to achieve a specific objective.

Where the reports submitted or other information (including the failure to submit reports), indicate that such a grant is not being used for its intended purpose, the Foundation is under a duty to investigate. While conducting its investigation, the Foundation will withhold further payments to the extent possible until any delinquent reports required under these procedures have been submitted. The Foundation also will take reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant.

However, if the grantee has not previously diverted grant funds, the Foundation may elect to continue further payments to the grantee if it receives the grantee's assurance that future diversions will not occur, that the grantee has restored the missing funds and that the grantee will take extraordinary precautions prescribed by the foundation to prevent future diversions from occurring. If a further diversion takes place, the Foundation will take steps to recover the grant.

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

RECORDKEEPING REQUIREMENTS

The Foundation shall retain the following records, according to the Record Retention Policy of the Foundation in effect or as amended from time to time, in connection with all grants covered by this policy:

- 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 Foundation or to a director or officer of the Foundation),

- The purpose and amount of each 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.
- For successful applicants, record retention is based on the date of the payment of the last installment after the filing of the Foundation's annual tax return for that year.

Approved by Board of Directors on December 14, 2016



APPENDIX

SCHOLARSHIP PROGRAM GUIDELINES

Donors wishing to create a platform to support access to higher education have several options to partner with Community Foundation. Scholarship opportunities falling outside one of the options listed below would be subject to approval by the Board of Directors of Community Foundation prior to executing any fund agreement, and may be subject to a custom fee arrangement.

Option #1: Community Foundation General Scholarship Pool

This option allows for individuals to collectively support renewable awards (up to 4 years) for students graduating from the Birmingham City Schools. The pooled fund may expand beyond Birmingham City in future years at the discretion of the Community Foundation, should the fund growth support such an expansion.

- a. Donors may make a contribution in any amount to the Community Foundation Scholarship Fund.
- b. Donors wishing to endow a named Scholarship Fund that will contribute to the Community Foundation Scholarship may do so at a minimum of \$15,000. The annual spendable amount will be pooled for award purposes with other scholarship funds contributing to the general pool.
- c. Community Foundation sets the objective, non-discriminatory scholarship selection criteria for Community Foundation Scholarship(s).
- d. Community Foundation may convene a scholarship committee* to assist in the selection of awards. Final awards are subject to approval by the Board of Directors.
- e. Community Foundation may engage outside vendors to help with publicity, the administration of the application process, award notifications, verification of enrollment of awardees, and/or renewal processing.
- f. Community Foundation Scholarships may be renewable provided that recipients make satisfactory progress towards graduation and their transcripts demonstrate they remain in good academic standing.

Annual Administrative Fee: 2% or minimum fee, whichever is greater

Option #2: Custom Scholarship Fund

Donors may endow a named scholarship fund targeting students *within Community Foundation's service area* that meet criteria of their choosing (high school, school system, or other criteria) with a minimum starting balance of \$200,000. This minimum fund size will generate an annual renewable award of \$2,000 and will also cover the annual administrative fee.

Community Foundation staff will consult with donors wishing to create a custom scholarship fund on appropriate criteria, marketing awards, and a streamlined selection* and award notification process.

Depending on the nature of the donor's chosen criteria, Community Foundation staff may recommend a more appropriate starting balance that is more than \$200,000. Criteria must always be objective and non-discriminatory, and are subject to approval by the Board of Directors.

Annual Administrative Fee: 2%

Option #3: Designated Fund to Support Scholarships

Donors wishing to support the awarding of scholarships at one or more designated institutions may endow a named fund with a gift of at least \$15,000. Community Foundation may pursue a Memorandum of Understanding for a period of time with the designated institution(s), should the donor wish to target specific criteria for awardees.

Community Foundation will make annual distributions of the spendable amount for the purpose of the institution providing scholarships. The selection authority will rest with the designated institution(s).

Administrative Fee: Normal tiered fee schedule for Designated Fund (begins at 1%)

SELECTION COMMITTEE

*In all cases, The Board of Directors of The Community Foundation must appoint the members of the selection committee. The Community Foundation's Scholarship Policy & Procedure covers additional requirements related to the Selection Committee.

SPECIAL CONSIDERATIONS FOR PLANNED GIFTS

Scholarships that will be funded by a planned gift (bequest, trust, IRA designation, etc.) should contain language in the fund agreement that allows for modification of criteria, amounts, or use of funds, should the ultimate gift fall short of the amounts listed below (particularly in the case of option #2).

Approved by Board of Directors on December 14, 2016