

Scholarship Grant Policy and Procedure –

JACKSON COMMUNITY FOUNDATION

Policy

It is policy that the Jackson Community Foundation ("the Foundation") holds and administers funds (the "Funds") that provide scholarship and fellowship grants to individuals, including high school, college and graduate school students. The Foundation ensures that its scholarship funds are awarded on an objective and nondiscriminatory basis in compliance with the Pension Protection Act, of 2006 (PPA). 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.**"

The Foundation may also hold and administer Funds that make grants to individuals in recognition of achievement in the fields of art, literature, education, science, public or community service, or for other charitable or civic achievement. These awards are not, and may not be, intended to finance any specific activities of the recipients and may not impose conditions on the manner in which the prizes or awards may be expended by the recipient. Grants made from such funds are referred to as "**Individual Achievement Grants.**"

Finally, 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 three types of educational assistance, this policy uses the collective term "**grants**" to refer to all three.

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 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 donor/advisor's status as a donor. The term also includes members of the donor's family and businesses controlled by the donor and family members.

Educational Institution – An institution that has a regular faculty, a curriculum, and an organized body of students in attendance at the place where the educational activities are held.

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).

Procedure

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 to all three types of grants. 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.

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 as 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 of Trustees.

Individual Achievement Awards

Criteria for Individual Achievement Awards include but are not limited to: the individual's past achievements and community involvements, other biographical information regarding an applicant's career, academic and other relevant experiences. The Foundation reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Individual Achievement Awards and the administration of such grants. Any substantial or material changes will be made only with approval of the Foundation's Board of Trustees.

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. Recipients may include graduate students, scholars, professionals or other individuals with specialized skills or knowledge. 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.

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. For example, selection of a qualified research scientist to work on a particular project does not violate the requirements of this paragraph if the scientist is selected from a group of three scientists who are experts in that field.

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 Scholarship Grants and to request that these administrators nominate potential candidates or encourage potential awardees to submit applications for scholarship aid.

Individual Achievement Awards

Foundation staff and designated members of selection committees established for such awards shall contact relevant community institutions and individuals to publicize the availability of the Foundation's Individual Achievement Awards and to solicit nominations for such awards. Candidates for such awards may take no part in the selection process.

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.

Scholarship Grant Selection Committee

The Foundation's Board of Trustees will annually approve a scholarship selection committee to select the recipients of scholarship grants from each fund. The selection committee for each scholarship fund will receive and review applications for scholarships from each fund. After evaluation of the applicants under the applicable scholarship selection criteria for the fund, the selection committee will designate one or more applicants to receive scholarship grants from the fund.

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 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 of Trustees, 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's Board of Trustees shall approve each award made under this policy.

Grant Renewals

Grants will ordinarily be awarded for a one-year period, but may be for a shorter or longer period. Except for Individual Achievement Awards, grants may be renewable for a period appropriate to the purposes of the Fund under which the grant is established. Otherwise, the Foundation may 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

Unless otherwise provided in the fund agreement, the Foundation will 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.

Scholarship Grants Paid Directly to the Recipient

If for any reason, a Scholarship Grant is paid directly to the recipient or anyone other than the educational institution, or if the Scholarship Grant is used for expenses other than qualified educational expenses, the Foundation must receive a report on the progress of each recipient of such a Scholarship Grant at least once each year. This report must include a summary of the use of the funds awarded, and the grantee's courses taken (if any) and grades received (if any) in each academic period. This report must be verified by the educational institution. A final report is also required.

Individual Achievement Awards

Individual Achievement Awards cannot require a particular use of the funds, so no report is required from the recipient.

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 a written report 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.

Scholarship payment deferments will be considered on a case by case basis due to military service, illness, etc.

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.

Conflicts of Interest

No person may serve on or be an advisor to, a scholarship grant selection committee, if during that year a relative of the person is an applicant for consideration by that scholarship selection committee.

Each member of the scholarship selection committee shall certify in writing that no applicant considered by the committee that year is related to any member of, or advisor to, the committee.

The term “relative” for purposes of this policy is defined as parent, child, stepparent, stepchild, grandparent, grandchild, step-grandparent, step-grandchild, aunt, uncle, nephew, niece, first cousin, or sibling.

A Youth Trustee, or relative of a Foundation Trustee, staff member, or volunteer to the Foundation may be eligible for a scholarship award from a Foundation fund so long as he or she nor any family member participates in the consideration of scholarships for any candidates in the pool of applicants, and any Foundation Youth Trustee, or relative of a Foundation Trustee, staff member, or volunteer will recuse him or herself from the entire scholarship nominating process for that pool of applicants including all meetings, discussions, debates and votes regarding nominations, and that the recusal will be documented.

Objective and Nondiscriminatory Selection Process

Scholarship recipients are selected using an objective and nondiscriminatory process. Per the PPA, the applicant pool must be sufficiently broad so the making of scholarships to members of the pool will be considered as furthering a charitable purpose and not merely benefiting private interests. The potential pool of applicants must be “indefinite”. The selection criteria must be based on criteria related to the underlying purpose of the scholarship, as described in the agreement creating the fund. The selection process must be objective, non-discriminatory and meet the requirements of paragraphs (1), (2), or (3) of section 4945 of the PPA. In Summary:

- Section 4945, paragraph (1) allows scholarships that are scholarship and fellowships. These scholarships to degree candidates that pay tuition, books and living expenses.
- Section 4945, paragraph (2) sanctions gifts that are prizes or awards. The recipient must be chosen from the general public, without any action to enter a contest or proceeding, and must not be required to provide services as a consequence of receiving the award.
- Section 4945, paragraph (3) permits scholarships to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, testing or other similar capacity, skill, or talent of the grantee. This is the broadest category and covers, for example, awards to artists to create works of art and scholarships that do not fit under paragraph (1).

Scholarship Grant Approval

All the recommended scholarship grants, forwarded by the Board approved Scholarship Grant Selection Committees will be approved by the Foundation’s Board of Trustees and documented in official minutes.

Maintenance of Records

The Foundation will maintain records with respect to all scholarships. Such records will include:

- All information the Foundation secures to evaluate the qualification of potential scholarship grantees;
- Identification of the grantees (including any relationship of any scholarship grantee to the Foundation or a member of the scholarship selection committee);
- Specification of the amount and purpose of each such scholarship;
- Any follow-up information the Foundation obtains on the grant recipient's use of the scholarship funds, including receipts pertaining to the recipient's use of scholarship funds and annual and final reports (if any) submitted by the recipient; and
- All Scholarship Grant Committee Member Conflict of Interest Statements.

Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants. Records pertaining to any grant made pursuant to this policy shall be kept for no less than three years after the filing of the Foundation's annual tax return for the period in which the last installment of such grant was paid.

RECOMMENDED BY:	EXECUTIVE COMMITTEE
RECOMMENDATION DATE:	JANUARY 14, 2019
APPROVED BY:	BOARD OF TRUSTEES
APPROVAL DATE:	FEBRUARY 21, 2019
NEXT REVIEW DATE:	JANUARY 2021
REQUIRED BY NATIONAL STANDARDS:	YES