



# Policy for Awarding Scholarships and Awards to Achieve a Specific Objective

## Policy Statement

The following policy serves to guide the staff and The Alaska Community Foundation Board of Directors in its awarding of Scholarships and Awards to Achieve a Specific Objective. The Alaska Community Foundation ("Foundation") from time to time holds and administers certain funds ("Funds") that provide scholarship grants to individuals, including high school, college and graduate school students, to 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 also holds and administers 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 shall be referred to as "Scholarship Grants".

## Purpose and Scope

The Foundation has established the following procedures pursuant to which Scholarship Grants will be awarded. 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. These procedures may be periodically amended.

The Foundation from time to time holds and administers 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, athletic, 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 shall be referred to as "Awards to Achieve a Specific Objective."

## Definitions

A *Donor* will be defined as an individual or organization, including a corporation, partnership or trust that makes a contribution to a Scholarship Fund.<sup>1</sup>

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<sup>1</sup> The Pension Protection Act of 2006, IRC §4945(g), IRS temporary regulations 54.4945-4(b) (PPA) prohibits the granting of scholarships from donor-advised funds. Permitting arrangements under which the donor retains the privilege of recommending distributions from a fund at a community foundation increases the risk of impermissible donor pre-selection of grantees and creates a risk of violating provisions of the PPA.

A *Disqualified Person*<sup>2</sup> is any person who was in a position to exercise substantial influence over the affairs of the tax-exempt organization at any time. It is not necessary that the person actually exercise substantial influence, only that the person be in a position to do so. Specifically, Directors, Trustees, Executive Directors/Officers/Managers, highly compensated employees, Chief Financial Officers, and substantial contributors<sup>3</sup> are disqualified persons. In addition, for this purpose, donors with respect to a scholarship fund are treated as disqualified persons with respect to transactions with the fund. Family members of the disqualified person and entities controlled by the disqualified person are also disqualified persons. For this purpose, the term *control* is defined as owning more than 35 percent of the voting power of a corporation, more than 35 percent of the profits interest in a partnership, or more than 35 percent of the beneficial interest in a trust.

The Foundation values and encourages the interest and involvement of donors to funds established to make Scholarship Grants. Such involvement may include developing criteria for awards, serving on grant selection committees and recommending others for participation on selection committees.

## Selection of Scholarship Grantees

Scholarship 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. 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.

In connection with Scholarship Grants and Awards to Achieve a Specific Objective, 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.

## Criteria for Selection

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 Fund agreement. Foundation staff should work with donors to establish Funds that fulfill the donor's charitable goals and include clear selection criteria.

For Scholarship Grants, such criteria may include, but are not limited to, the following: prior academic performance, performance on tests designed to measure ability and aptitude for educational work; recommendations from instructors 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 conclusions which the grant selection committee may draw 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, musical or other special talent. 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 (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 and all Scholarship Grants must be used for tuition and related expenses (as further described in Section VII below) at an educational institution described

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<sup>2</sup> Per IRC §4946(a)

<sup>3</sup> “A substantial contributor per IRC §507(d)(2)(A)) includes any person who contributed or bequeathed a total amount of more than \$5000 to the private foundation if the amount is more than two percent of the total contributions and bequests received by the foundation from its creation up through the close of the tax year of the foundation in which the contribution or bequest is received from that person” [www.irs.gov/charities/foundations/article/0,,id=136935,00.html](http://www.irs.gov/charities/foundations/article/0,,id=136935,00.html) Community Foundations follow private foundation rules.

in IRC § 170(b)(1)(A)(ii), i.e., such institution must normally maintain a regular faculty and curriculum and must normally have a regularly organized body of students in attendance at the place where the educational activities are carried on.

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 Directors.

In connection with Awards to Achieve a Specific Objective, criteria shall 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. In connection with scholarships awarded 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 objectives to the charitable purposes of the Fund.

## Scholarship Grant Selection Committees

The Foundation shall appoint all members of any selection committee charged with the evaluation of candidates for Scholarship Grants and Awards to Achieve a Specific Objective. The Foundation Board may authorize Foundation staff to appoint committee members and the Board may retroactively approve all selection committee members at an upcoming Board meeting .

No combination of disqualified persons or donors to a Fund that makes Scholarship Grants or Awards to Achieve a Specific Objective may, directly or indirectly, control any selection committee established in connection with such Fund. For example, donors, persons recommended or designated by donors and persons related to any of these persons or any other disqualified person shall not constitute a majority of any such selection committee (persons may include individuals, partnerships, corporations or trusts). Where a disqualified person or donor 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 disqualified person.

Disqualified persons or donors 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 or Awards to Achieve a Specific Objective shall adhere to the relevant policies of the Foundation as they may be adopted and amended from time to time, including Conflict of Interest and Confidentiality Policy. Every member of any selection committee charged with the evaluation of candidates for Scholarship Grants or Awards to Achieve a Specific Objective 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 Foundation's Board of Directors, any substantial contributor to the Foundation, any employee of the Foundation, or any other disqualified person as defined in IRC § 4946(a) with respect to the Foundation, or, with respect to grants from a particular Fund, any donor or substantial contributor to such Fund or any member of a selection committee to such Fund, any family member of any member of the selection committee, 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 The Alaska Community Foundation staff in such form and on such schedule as the staff shall establish.

Approval of any or all of the grants made under this policy falls under the protocols established in the Grantmaking Policy. All grants may be retroactively approved by The Foundation Board at an upcoming Board meeting.

## Application and Nomination Process

Applicants for Scholarship Grants or Awards 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.

## Grant Renewals

Grants will ordinarily be awarded for a one-year period, but may be for a shorter or longer period. A Scholarship Grant may be renewable for a period appropriate to the purposes of the Fund under which the award 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 Scholarship Grants and Awards to Achieve a Specific Objective

### A. General Procedures for Scholarship Grants

Unless otherwise provided in the fund agreement establishing a Scholarship Grant, each Scholarship Grant shall be paid by the 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 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 tuition and related expenses within the meaning of IRC § 117(b)(2), and for room and board. Accordingly, a Scholarship Grant can be used only for: (1) tuition and fees required for the enrollment or attendance of the student at a qualifying institution; (2) fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and (3) 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 a condition for receiving the scholarship.

### B. General Procedures for Awards to Achieve a Specific Objective

Recipients of Awards to Achieve a Specific Objective or, if appropriate, the organization supervising the grantee's work, will be required to sign a grant agreement, submit expense receipts for reimbursement, and 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.

### C. Special Procedures

If for any reason, a Scholarship Grant is paid to a person other than the educational institution attended by the scholarship recipient or if the Scholarship Grant is used for expenses other than qualified tuition and related expenses within the meaning of IRC § 117(b)(2) or for room and board, 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<sup>4</sup>.

When the submitted reports or other information (including the failure to submit reports) indicate that all or any part of a scholarship grant is not being used in furtherance of the purposes of such grant, the Foundation is under a duty to investigate. While conducting its investigation, the Foundation shall withhold further payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

If the Foundation learns that all or any part of a grant is not being used in furtherance of the purposes of the grant, the Foundation shall take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant. If such a diversion occurs and the grantee has not previously diverted grant

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<sup>4</sup> The Foundation will issue a 1099 Misc for such payments. The grantee is responsible for determining the tax consequences of the grant.

funds to any use not in furtherance of the purposes of the grant, the Foundation shall withhold any further payments to the grantee until it has received the grantee's assurance that future diversions shall not occur and shall require the grantee to take extraordinary precautions to prevent future diversions from occurring.

When a grantee has previously diverted funds received from the Foundation and the Foundation determines that any part of a grant has again been used for improper purposes, the Foundation shall take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant. In such case, the Foundation shall withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) the Foundation has received the grantee's assurances that future diversions will not occur; and (3) the Foundation requires the grantee to take extraordinary precautions to prevent future diversions from occurring.

The phrase "all reasonable and appropriate steps," as used above, shall include legal action where appropriate, but need 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 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 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.

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.

## Policy Adoption, Review, and Revision History

### **Policy: Policy for Awarding Scholarships and Awards to Achieve a Specific Objective**

<b>Date</b>	<b>Action taken</b>	<b>Comments</b>
2012.08.09	Approved by ACF Board	
2014.11.03	Approved by ACF Board	

**Next Bi-Annual Review Date: November 2016**