Community Foundation of the Ozarks Scholarship Policies

Scope and Intent of the Policy

The Community Foundation of the Ozarks holds and administers funds (the “Funds”) that provide scholarship grants to individuals, including high school, college, and graduate school students. These grants enable the recipients to enroll in an undergraduate or graduate program in the field of their choice at the college or graduate school of their choice.

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 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 at the sole discretion of the Community Foundation.

The Foundation values and encourages the interest and involvement of donors in all three 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. The Pension Protection Act of 2006 established strict guidelines regarding scholarship awards. To comply with federal law, all scholarships of The Community Foundation must adhere to these guidelines.

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.

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.

Educational Institution – An institution described in IRC section 170(b)(1)(A)(ii) 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.

<u>Related Persons</u> – The term includes both a donor's or advisor's family members and businesses they control.

<u>Family Members</u> – Specifically, children and grandchildren, by blood or by marriage and siblings, children of siblings, and first cousins, by blood) of the fund establisher. Major fund donors are not eligible to receive this scholarship.

<u>**Selection of Grantees**</u>

The Pension Protection Act of 2006 requires the group from which grant recipients are selected to be sufficiently large to constitute a charitable class. The IRS's intent here is to ensure that the criteria for eligibility are not so limited that applicants are in effect pre-selected. There must be broad dissemination of students of eligibility requirements and deadlines for awards. Applicants must be ranked against written selection criteria. The selection criteria must meet IRS standard guidelines and must be approved by The Community Foundation. The selection of the recipient from among the candidates must be related to the purpose of the scholarship. The selection process must be "**objective and nondiscriminatory**," as that term is defined by the Internal Revenue Service Treas. Reg. Section 53.4945-4(b).

The IRS definition of "objective and nondiscriminatory" criteria for scholarships is found in the Treasury Regulations, specifically Treas. Reg. Section 53.4945-4(b). This regulation pertains to private foundations making grants to individuals and is tied to Internal Revenue Code (IRC) Section 4945(g). For a scholarship grant from a private foundation to not be considered a "taxable expenditure," the awarding procedures must be pre-approved by the IRS and operate on an objective and nondiscriminatory basis.

While the IRS does not provide a single, universal definition of "objective and nondiscriminatory" for all public foundations, it does set clear standards that these organizations must follow, particularly when making grants to individuals. These standards are based on the core principle that public charities must serve a charitable purpose and not benefit private interests. Public foundations are generally expected to use the same guidelines that the IRS provides for private foundations.

<u>Scholarship Grants</u>

The Community 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.

<u>**Selection Criteria**</u>

The criteria to be used in selecting grant recipients from a fund established at the Community 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. The Community Foundation staff should work with donors to establish Funds that fulfill the donor's charitable goals and feature clear selection criteria.

<u>Scholarship Grants</u>

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.

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, ethnic background, or religion so long as such preference does not violate the CFO's discriminatory policy.

Recipients of Scholarship Grants must be full-time (1) high 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. Who receives 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 Community 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.

Grant Selection Committees

The Pension Protection Act of 2006 requires The Community Foundation to appoint all members of any selection committee charged with the evaluation of candidates for grants covered by this policy.

As described in the Pension Protection Act of 2006, neither a Fund's donors nor any party related to the donor may 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 Community 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 Directors, 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 Community Foundation staff in such form and on such schedule as the staff shall establish. The Community Foundation Board shall approve each award made under this policy.

Application and Recommendation Process

Applicants for Scholarship Grants shall be required to submit such application and supporting materials through Foundant/SLM on a schedule determined by The Community Foundation.

Grant Renewals

Unless indicated, these scholarship grants are one-time awards. If a scholarship is renewable, it will be indicated on the scholarship description. Students must meet renewal requirements and complete a renewal follow-up form for their award to be renewed.

Supervision of Grants

Scholarship Grants Paid Directly to the Educational Institution

The Community Foundation will pay Scholarship Grants directly to the educational institution for the use of the scholarship recipient. The educational institution must 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.

Investigation of Jeopardized Grants

The Community 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.

If The Community Foundation learns that all or any part of a scholarship grant is not being used for its intended purpose, The Community 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 Community 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.

Recordkeeping Requirements

The Community Foundation shall retain the following records in connection with all grants covered by this policy:

- All information obtained by the Community Foundation to evaluate the qualifications of potential grantees,
- The identification of grantees (including any relationship of any grantee to the Community Foundation or to a director or officer of the Community 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.

These Policies for Scholarship Funds were approved by the foundation's board of directors on:

October 15, 2025