



Scholarship Policy

Purpose

The St. Croix Valley Foundation holds and administers funds that provide scholarships 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. **The purpose of this policy is to ensure compliance with all applicable requirements of the Internal Revenue Code, including Section 4966, accompanying Treasury Regulations and guidance from the Internal Revenue Service.**

Definitions

Advisor - A person appointed by a donor to have advisory privileges with respect to a Fund.

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

Related Persons - The term includes both a donor or advisor’s family members as well as the businesses they control:

- Family Members - An individual's parents, grandparents, great grandparents, spouses, siblings, children, grandchildren, great grandchildren.
- 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).

Educational Institution - An institution that has a regular faculty, curriculum, and an organized body of students in attendance at the place where the educational activities are held. Such institutions must provide written proof of status as government entity or 501(c)(3).

Qualified Expenses - Certain expenses incurred in attending an educational institution including:

- 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.

Disqualified Person – SCVF or Affiliate board member, substantial contributor, SCVF staff, immediate family of SCVF staff (children/step-children/spouse/partner).

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Scholarship Policy

All grants and scholarships made by the Foundation must:

- 1) be consistent with the mission and purpose of the Foundation;
- 2) be consistent with the purpose of the fund;
- 3) be made for a charitable purpose; and
- 4) be made to entities that meet eligibility requirements.

To ensure a newly endowed scholarship fund has sufficient time to build and promote a scholarship program and secure an adequate Available to Spend (ATS), an endowed Scholarship Fund must wait two-years before initiating scholarship grant payments. In addition, the ATS for SCVF endowed scholarship funds will be automatically rolled forward to the next fiscal year to ensure that the future ATS is adequate.

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.

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 feature clear selection criteria.

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 Directors.

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Grant Selection Committees

The Foundation shall approve all members of selection committees charged with the evaluation of candidates for grants covered by this policy. The Foundation values and encourages the interest and involvement of donors. Donor involvement may include developing criteria for awards, serving on grant selection committees and recommending others for places on selection committees. 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. For corporate-sponsored scholarship programs, employers are prohibited from participating in the employee scholarship selection process.

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 Directors, any substantial contributor to the Foundation, any employee of the Foundation or their immediate family, or any other disqualified person (see definitions). 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; the Foundation Board shall approve each scholarship grant made per the grant policy.

Grant Payment

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 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 their 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.

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

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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.

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.

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.

Recordkeeping Requirements

The Foundation shall retain the following records 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.
- The SCVF will abide by state and federal laws to protect the privacy of applicants.

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.

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