



SCHOLARSHIP POLICY AND PROCEDURES

Board Approved March 17, 2025

The Community Foundation of the Dan River Region is a public charity established in 1996, by a steering committee of civic leaders, to meet a variety of charitable needs in the community. The Foundation began meeting the financial needs of students with the start of the John Watson Daniel Scholarship in 1997. Since then, The Foundation has awarded millions of dollars in scholarships to a vast number of students in our community.

The Foundation serves a region from Danville/Pittsylvania County to South Boston/Halifax County, including the neighboring North Carolina counties. Currently, scholarships are limited to Danville, Pittsylvania County, Caswell County, and Halifax County graduates. The Community Foundation returns earnings to the community via scholarship awards from endowment funds created by donors. Donors can start a new scholarship fund with a current or planned minimum gift of \$25,000.

Introduction: Scope and Intent of the Policy

The Community Foundation of the Dan River Region ("The Foundation") holds and administers funds (the "Funds") that provide scholarship and fellowship grants to individuals, including high school, college, graduate school, and vocational and technical education and training students. These grants enable the recipients to complete an undergraduate or graduate education in the field of their choice at the college, graduate school or vocational and technical training centers 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**" or "**Scholarships**."

The Foundation has established the following procedures pursuant to which scholarships will be awarded from funds to ensure The Foundation stays in 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.

Conflicts of Interest

Distribution Committee members who are also donors to a scholarship fund must declare their conflict and abstain from the discussion and voting on that scholarship's recipients. Board and Committee members must declare all potential conflicts of interest and refrain from discussion in those instances.

The Foundation's Board appoints or approves all scholarship selection reviewers, which includes Foundation staff and the Distribution Committee. Donors/related parties' participation in the selection process should be limited to a minority role. Staff may consult outside counsel, such as high school guidance counselors and college financial aid offices, as needed.

Ineligibility for Scholarship Awards

Staff members and their immediate family are not eligible to apply for a scholarship offered by The Foundation during the time of their employment. Board members and their immediate family members are not eligible to apply for a scholarship offered by The Foundation during the Board member's term of service. The term "immediate family member" is defined as spouse, parent, child, stepparent, stepchild, grandchild, or step-grandchild.

Types of Scholarship Funds

The Community Foundation encourages the formation of scholarship funds that:

- Select from the broadest pool of area applicants.
- Allow recipients to attend accredited public and private educational institutions.
- Recognize academic potential and consider financial need.

The Community Foundation accepts many types of scholarship funds. Donors may:

- Establish unrestricted scholarship funds that allow The Foundation to decide where the need is greatest.
- Establish a scholarship for any level of education or vocational training.
- Establish scholarship funds for students with particular interests; graduating from a specific high school in our region; pursuing a specific academic field of interest; for personal achievement in areas such as sports; or overcoming adversity.

Creating an Endowed Scholarship Fund

A minimum of \$25,000 is required to endow a scholarship fund. Donors are given three years to raise the funds and may join with other donors to reach the minimum required amount. Contributions of all levels can build educational resources for scholarship students. Any individual donor can designate a gift to a particular scholarship already established within The Community Foundation. In some cases, donors work together to endow a scholarship. An example is, the GW Class of 1957 Scholarship Fund. Graduates and individuals associated with the Class of 1957 from George Washington High School began working towards an endowed scholarship after their 50th class reunion. They reached their goal in December of 2009.

Investing Scholarship Funds

All endowed funds are invested as part of a total pool. The Community Foundation's Investment Strategy was designed to provide a return that keeps pace with inflation over time, while protecting and growing the real value of the Foundation's assets. The Foundation's Finance Committee is responsible for assuring the Community Foundation exercises prudent stewardship over the entrusted assets. The Committee assigns financial responsibilities through various investment managers who bear direct responsibility for the investment of The Foundation's assets.

Determining Scholarship Awards Each Year

The Community Foundation Board of Directors reviews and approves scholarship payouts for the next fiscal year at its quarterly meeting in March. When determining the payout amounts, the Board of Directors considers the long-term performance, and expected total return on The Foundation's

investment of scholarship funds, and any other factor that it deems relevant, at its sole discretion. The Foundation's customary spending policy is up to 5.0 percent based on a 20-quarter average market value. Twice yearly, a fund statement is sent to establishing donors showing the activity regarding their fund.

Administrative Fees on Scholarship Funds

The Community Foundation assigns each fund an annual fee to partially offset the cost of the online application service, and other administrative and investment services.

Community Foundation of the Dan River Region Fee Schedule (effective September 23, 2024)

| | FUND VALUE | FEE SCHEDULE |
|--------------|---------------------------|---------------------|
| Up to | \$500,000 | 1.25% |
| Next | \$500,001 - \$1,000,000 | 1.00% |
| Next | \$1,000,001 - \$2,000,000 | 0.75% |
| Next | \$2,000,001 - \$5,000,000 | 0.65% |
| Above | \$5,000,001 | 0.50% |

*Minimum fee of \$500 on all scholarship funds.

*Fees on Temporary Funds shall be at least 2% of the gift.

*Additional charges may be required for special services for any funds.

*Investment fees are charged in addition to this fee schedule.

First Distribution from New Scholarship Fund

New scholarship funds are held for a period of at least 12 months before the first distributions are awarded.

Selecting Scholarship Recipients

Scholarship recipients are selected on an objective and nondiscriminatory basis. The applicant pool from which scholarship recipients are selected must be sufficiently broad so that awarding scholarships to one or more members of the group fulfills a charitable purpose. To assist the maximum number of students, scholarship awards are typically limited to one per student, though exceptions are occasionally made. The goal is to continue to increase the number of renewable scholarships to support a student throughout their studies. One effort to reach this goal is The Committee gives preference to former scholarship recipients if they maintain a 2.5 GPA and remain a full-time student in good standing with their accredited college/university, unless a scholarship specifies otherwise. The Community Foundation staff and

Distribution Committee have a goal to award each student at least \$2,000 per scholarship whenever it is possible.

The Community Foundation staff and Distribution Committee review individual scholarship applications and score them according to a rubric previously approved by the Distribution Committee. Scores are generally based on academic merit, financial need, community involvement, personal essay, and references, with some scholarship funds having different or additional eligibility criteria.

Foundation staff score applications and cut incomplete applications during the administrative review. The remaining applications are reviewed and scored by the Distribution Committee. Individual scholarship recommendations are then finalized during a Distribution Committee meeting and forwarded to The Foundation's Board of Directors for approval.

Authority in Scholarship Decisions

The administration of the scholarship program (including the selection of recipients) is within the sole and absolute discretion of The Community Foundation's Board of Directors.

Supervision of Scholarships

Scholarship Payments to Schools

Checks are made payable to the specified academic institution, noting the student's name and identification number, after July 1st for the following academic year. By accepting the funds, the educational institution agrees to use the grant funds to reduce the scholarship recipient's expenses. Additionally, the educational institution agrees to return remaining funds or a portion thereof to The Foundation, after the scholarship recipient's expenses are fulfilled. The scholarship recipient must be enrolled at an eligible educational institution, and their standing at the educational institution must be consistent with the purposes and conditions of the specific scholarship fund. If the student's status as a full-time student should change for any reason, the unused portion of the scholarship is to be returned to The Foundation by the institution and credited back to the appropriate scholarship fund. An eligible educational institution is defined as an institution that has a regular faculty, a curriculum, and an organized body of students in attendance, in person or virtually, where the educational activities are held.

Qualified Educational Expenses

Scholarships must be used for qualified educational expenses at an educational institution. The Foundation reserves the right to impose additional, minor, reasonable restrictions and/or requirements when awarding scholarships and finalizing the administration of such awards. Any substantial or material changes will be made only with approval of The Foundation's Board of Directors.

Qualifying educational expenses include:

- Tuition and fees for enrollment and attendance.
- Fees, books, supplies, and equipment required of all students for courses of instruction.
- Room and board, and other related educational expenses. Payments for expenses in this group are not exempt from income tax and are the responsibility of the scholarship recipient to report with their annual tax filing.

Recordkeeping Requirements

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

- All information obtained by The Foundation to evaluate the qualifications of potential recipients,
- The identification of scholarship recipients (including any relationship of any recipient to The Foundation or to a director or officer of The Foundation,
- The purpose and amount of each scholarship; and any additional information The Foundation obtains in complying with its scholarships administration procedures,
- Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants for no less than seven years after the filing of The Foundation's annual tax return for the period in which the last installment of said scholarship was paid.

| Timetable for Annual Scholarship Selection Process | |
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| January | <p>Online scholarship applications are available to the public on The Community Foundation's website, www.cfdr.org, by the beginning of January.</p> <p>A press release is sent to local media announcing availability of scholarships and upcoming deadlines during the beginning of January.</p> <p>An informational mailing is sent to each high school guidance department in our region notifying them of the scholarships available and deadlines. Visits with guidance departments and high school seniors are also scheduled when possible.</p> |
| March | <p>The application deadline for all scholarships may change with school schedules but it is usually the first day of March.</p> <p>The Community Foundation staff reviews each individual scholarship application and scores them by late March. This initial screening provides the Distribution Committee with only qualified candidates for the scholarships available.</p> <p>The Board of Directors meets in late March to approve the annual spending policy for each scholarship fund.</p> |
| April | <p>Scholarship applications are assigned to each committee member with the approved scoring rubric through the online AkoyaGo software.</p> |
| May | <p>The Distribution Committee meets to review individual scores and approve scholarship recipients.</p> <p>Scholarship recipients are notified of their awards and invited to The Community Foundation's Scholarship Reception.</p> |

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| | <p>Recipients are required to complete a post-acceptance questionnaire through the online AkoyaGo software. This questionnaire provides staff with information needed to process students.</p> <p>The Community Foundation staff may represent The Foundation at individual high school award ceremonies to acknowledge scholarship recipients when invited.</p> |
| June | <p>The Community Foundation's Scholarship Reception is held on a Sunday afternoon in late May/early June to congratulate recipients. Board Members and Donors are encouraged to attend.</p> <p>The Board of Directors approves all recommendations for scholarship recipients made by the Distribution Committee.</p> <p>The Grant and Scholarship Manager updates all records in AkoyaGo for payments to be made correctly at the beginning of the new fiscal year.</p> |
| July | Scholarship payments are sent to institutions for student accounts. |
| August through December | The Community Foundation monitors student transfers and dropouts. Grade reports are requested from renewable students. |
| November through December | New program materials are developed and changes to existing program materials are finalized for the next scholarship year. |

IRS Rules on Grantmaking to Individuals

The awarding of scholarships falls under the category of “grantmaking to individuals,” because a scholarship benefits an individual rather than an organization. The IRS strictly regulates awards to individuals because of the potential for abusing the tax deductibility of such awards.

Basic IRS Rules

- i. The award must be made for a charitable purpose;
- ii. Recipients must be members of a sufficiently broad “charitable class;”
- iii. Selection is done on an objective and non-discriminatory basis;
- iv. No benefit accrues to the donor or relatives of the donor or individuals specified by the donor;
- v. The selection committee is independent of the sponsoring employer or membership organization;
- vi. The selection committee must abide by rules governing conflicts of interest;
- vii. Proper records are maintained that clearly establish that these rules have been satisfied.

Criteria for Selection

Proper selection criteria may include, but is not limited to:

- viii. Academic Performance;
- ix. Achievement or aptitude test scores;
- x. Recommendations;
- xi. Financial Need;
- xii. Personal Statements.

Under IRS rules, scholarships can have very specific criteria, if the pool of applicants is sufficiently broad to constitute a charitable class. The term “charitable class” has been left undefined by the IRS but should pass a commonsense test. Currently, a scholarship fund is considered nondiscriminatory even if it benefits limited groups of people such as women, minorities, or residents of a particular community.

Taxability of Financial Aid Awards

A scholarship award used for tuition and required course-related expenses is exempt from federal income tax if the student is enrolled in a degree-granting program. Any part of the award used for living expenses and non-required educational expenses (such as computers or travel) is taxable, even though these are considered legitimate educational expenses for award purposes. It is the responsibility of the student to declare any taxable amounts of educational awards.

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