

ELK GROVE COMMUNITY FOUNDATION SCHOLARSHIP POLICY

This policy is effective upon adoption by the Board of the Elk Grove Community Foundation (“EGCF”). Exceptions to this policy may only be approved by EGCF. If an exception is approved, such will be entered into the minutes on the day the exception was approved and the reasons therefore. In January of each year, the Scholarship Committee will provide a report to EGCF of the status of each Fund’s compliance with this policy.

EGCF hereby establishes a Foundation Budget, Endowment Fund, Pass-Through Fund. No other types of funds will be established by the EGCF. Notwithstanding, to accommodate existing Honor Roll Scholarship Funds this policy will also guide the disposition of existing Honor Roll Funds.

A. GENERAL

1. As of November 15, 2007, an Endowment Scholarship is when a pledge has been made to make contributions totaling at least \$15,000 prior to the end of the fifth year.
2. Prior to becoming a Mature Endowment, each Endowment Scholarship will remain in suspense for no more than 5 years. Only the contributions to an Endowment Scholarship accumulate and contribute toward its attaining a Mature endowment level. Earnings on Foundation investments, allocations, or non-specific contributions are not added to any Endowment Scholarship. If an Endowment Scholarship does not become a Mature Endowment by the end of the 5th year, the failed Endowment Scholarship balance will revert to the Foundation.
3. No Endowment Scholarship Units will be awarded unless the Endowment Scholarship becomes a Mature Endowment within 5 years of the establishment of the Endowment Scholarship. At that time, three (3) Endowment Scholarship Units will be awarded. Annually, the Board reserves the right to increase the dollar amount required to become a mature Endowment for the subsequent year.
4. Each Endowment Scholarship Unit will entitle the mature Endowment an award of \$250 of Annual Scholarship money with the minimum of any one Annual Scholarship being not less than \$750 per year. Thus a Mature Endowment will be represented by one annual \$750 Scholarship. The Board reserves the right to adjust annually the amount of Annual Scholarship to be awarded per Scholarship unit.
5. It is the Policy of the Elk Grove Community Foundation that only one scholarship will be given per recipient per year with the exception to this policy being the Top Ten Scholarship Award.

B. CONTRIBUTIONS TO MATURE ENDOWMENTS:

1. If additional contributions are pledged to a specific mature Endowment to increase the increments of \$5,000, said contributions will be held in suspense just like a non-mature pledged Endowment Scholarship until the pledged contributions attain the Expanded level. To attain the Expanded level, accumulated contributions totaling \$5,000 must be received.
2. Upon attaining the Expanded level, one (1) additional Endowment Scholarship Unit will be awarded to that Mature Endowment. Accordingly, as an example, once the first Expanded level is attained, the Endowment Scholarship will be entitled to a total of four (4) Scholarship Units and thus the Annual Scholarship will be \$1,000, or the amount as adjusted by provision in Sec A.4.
3. The expanding of a Mature Endowment Scholarship in the manner will allow the named Mature Endowment Scholarship to award scholarships in excess of the minimum amounts. In addition, those Mature Endowment Scholarships with six (6) or more Scholarship Endowment Units may award multiple scholarships as long as the minimum scholarship awarded is not less than \$750 (i.e. a Mature Endowment of six (6) units could have one \$1,500 annual scholarship or two \$750 annual scholarships.
4. Failure of a Mature Endowment to reach the Expanded level by the end of a five (5) year period will be treated like an unfulfilled Endowment with the funds reverting to the Foundation subject to changes made by the Board of Directors.
5. New scholarship applications or requests for modifications to existing scholarship must be received by October 1 of the scholarship year.
6. Monies for scholarships, including yearly awards, must be received by October 31 of the scholarship year.

DEFINITIONS

FUND(S): A Fund or Funds is an accounting entry. Use of the word Fund or Funds means that individual and aggregate balances of a Fund will be reported to EGCF Board. There may not necessarily be a segregation of the actual dollars deposited or invested by Fund.

FOUNDATION BUDGET: The Accounting entry used to account for all expenses, allocations and non-specific fund receipts.

ENDOWMENT FUND: The Endowment Fund will account for all individual scholarship funds, except for Pass-Through Funds.

ENDOWMENT SCHOLARSHIP FUND: An Endowment Scholarship Fund is a transition Fund that has not yet attained the committed Endowment Level.

**ELK GROVE COMMUNITY FOUNDATION
SCHOLARSHIP POLICY**

FULLY FUNDED ENDOWMENT FUND: A Fully Funded Endowment Fund is a scholarship fund that has attained the committed Endowment level and therefore has or will commence the payout of an annual scholarship.

PASS-THROUGH FUND: The Pass-Through Fund accounts for all specific receipts for scholarships that are designated to be disbursed on an annual basis. The minimum amount for a Pass-Through Fund will be determined by the Foundation Board with an administrative fee.

ENDOWMENT BALANCE: For purposes of determining the amount of scholarship payout, the endowment balance is the principal balance that existed on January 31st of the previous year.

EARNINGS/LOSSES: The aggregate amount of income or losses derived from all investments held by the EGCF.

ENDOWMENT FUND

The intent of an Endowment Scholarship Fund is to establish perpetual annual scholarship(s). The goal is for earnings on the funds categorized as endowments as to earn enough money so annual earnings equate to at least \$250 per scholarship unit as of January, 2006.

DISPOSITION OF EXISTING HONOR ROLL SCHOLARSHIP FUNDS

It is the intent of the EGCF Board to eventually do away with Honor Roll Scholarship Funds by converting them to Fully Funded Endowment Funds. Therefore, within 90 days of adoption of this policy by the EGCF Board, each existing Honor Roll Scholarship Fund will be contacted to inquire as to their desire to convert to an Endowment Scholarship Fund in conformance with this policy. If an Honor Roll Scholarship Fund elects to convert to an Endowment Scholarship Fund in writing, then the rules for Endowment Scholarship Funds will apply, except that the 10-year period for an Honor Roll Scholarship Fund to become a Fully Funded Endowment Fund with a \$10,000 principal balance commences upon adoption of this Policy and shall be fully funded by January, 2011.

An Honor Roll Scholarship Fund that does not convert to an Endowment Scholarship Fund within the 90-day window period will remain an Honor Roll Scholarship Fund but will be accounted for in the Endowment Fund. At such time in the future when each and every Honor Roll Scholarship Fund that did not convert to an Endowment Scholarship Fund, all achieve a principal balance of at least \$10,000, then all such Honor Roll Scholarship Funds shall then automatically and immediately be converted to Fully Funded Endowment Funds, and the Endowment Fund rules will be applied. Until such time, a single annual scholarship will continue to be awarded on behalf of all Honor Roll Scholarship Funds, with the amount of this single scholarship being determined by the EGCF Board in the spirit and plan that each Honor Roll Scholarship Fund become a Fully Funded Endowment Fund.

CONTRIBUTIONS

All contributions and allocations of additional funds to specific Endowment Scholarship Funds, Fully Funded Endowment Funds or Honor Roll Scholarship Funds will be added to the principal of the fund.

General contributions that are not fund specific, e.g. Spotlight on Excellence, etc., will flow into and be accounted for in the Foundation Budget. These will then be allocated as of December 31st in accordance with this policy. Once the EGCF accepts any contribution, those contributions are exclusively under the control and responsibility of the EGCF.

PASS THROUGH FUNDS

A Pass Through Fund is a one-time scholarship paid annually with no intent to perpetuate a scholarship beyond the initial year. A Pass-Through Fund is established upon the completion and approval of a Pass Through application together with the receipt of a deposit by EGCF of Board specified minimum plus an annual processing fee. The entire deposit, plus any additional contributions specific to that Pass-Through Fund during the year, will be disbursed annually toward the designated scholarship. Unless otherwise approved by the EGCF Board, all Pass-Through Funds will be disbursed with no investment earnings or losses accrued to Pass Through Funds. Once the EGCF accepts contributions, those contributions are exclusively under the control and responsibility of the EGCF.

PAYOUT OF ANNUAL SCHOLARSHIPS

It is the primary philosophy of the EGCF Board to maximize the payout of annual scholarships from the earnings on Fully Funded Endowment Funds. The Foundation will also use earnings as a tool to continue to grow scholarship payouts. Other than Pass-Through Scholarships and the exception for the single Honor Roll Scholarship funds, scholarships will come only from Fully Funded Endowment Funds.

CRITERIA FOR A SCHOLARSHIP

Each application for a Scholarship Fund that is submitted by the donor to the EGCF will state the criteria to be used to award a Pass Through or Endowment scholarship. The EGCF reserves the right to approve or reject the establishment of any (scholarship) Fund in its sole and absolute discretion.

CRITERIA MODIFICATION AND POLICY AMENDMENT

Once criteria for a scholarship are approved by EGCF, the scholarship will only be awarded based on the approved criteria. EGCF reserves the right to make modifications to scholarship criteria that are necessitated by law or in order to be in compliance with this policy. Upon a written request by the original applicant of a previously approved Fund, the EGCF, in its sole and absolute determination, may approve or disapprove such written

**ELK GROVE COMMUNITY FOUNDATION
SCHOLARSHIP POLICY**

requests for amendments or modifications to scholarships, Funds, and/or disbursement procedures. The decision by EGCF on such written requests will then be recorded in the minutes of the Board meeting. The EGCF reserves the right to modify, amend or delete sections of this policy as previously provided herein.

DISPUTES

EGCF will attempt to follow the instructions made by the donors on an approved application. However if there is a dispute between the EGCF and a donor, the decision and interpretation by the EGCF will control.

SCHOLARSHIP RECIPIENT SELECTION

The selection of an individual to receive a scholarship must be in compliance with the approved criteria as contained on the application to establish a scholarship Fund. Notwithstanding, the minimum grade point average for any scholarship recipient is 2.0 and a scholarship recipient must enroll and attend a post secondary institution or trade school or other vocational education opportunity as deemed reasonable and approved by the Board. Scholarships will then be awarded based upon the applications submitted and their conformance the approved criteria.

ARMS LENGTH SELECTION PROCESS

In order to preserve the integrity of the EGCF's Internal Revenue Service Code Section 501 (c) (3) status, independence in managing and disbursing funds must be strictly maintained. If during the selection process, a donor or immediate family member of a Donor participates in the selection process, that person may serve only in an advisory capacity without any vote. The Selection Committee will then request an independent review of their selection to assure that there has been no breach of independence in their selection process. Any scholarship applicant that is an immediate family member to any person serving on that Selection Committee is disqualified. Once the EGCF accepts contributions, those contributions are exclusively under the control and responsibility of the EGCF.

[Amended – January 17, 2001.]

DISCLOSURES

EGCF typically invests in a combination of mutual funds, bonds, equities, and fixed investment instruments in accordance with its investment policy. The EGCF investment policy will be made available to any donor, upon written request to the EGCF. While it is the goal of the EGCF to use prudent investment practices to provide safe consistent earnings, the EGCF cannot and does not guarantee that there will be funds or earnings available for the payment of any annual scholarship. EGCF cannot and does not guarantee any rate of return. Once funds are deposited with EGCF, those funds belong solely to the EGCF. This policy and any subsequent amendment or exceptions to this policy are subject to change without notice by the Board and changes in the law.