



## Policy on Grants to Individuals

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**I. PURPOSE.** The purpose of this Policy on Grants to Individuals is to guide the board, staff and donors of Benton Community Foundation ("BCF") in complying with the law applicable to Grants to Individuals and with BCF's administrative policies while achieving donor's charitable goals. This policy specifically applies to funds currently held and administered by BCF including, but not limited to the following:

A. BCF from time to time holds and administers certain funds (the "Funds") that provide scholarship grants to individuals, including primary, secondary, college and graduate school students, to enable the recipients to complete vocational training or an undergraduate or graduate education in the field of their choice at various educational and/or vocational training institutions. Grants made from such Funds shall be referred to as "Scholarship Grants."

B. BCF also from time to time holds and administers certain Funds that make grants to individuals in recognition of achievement in the fields of art, literature, education, science, public or community service, or for other charitable or civic achievement. Such awards may not be intended to finance any specific activities of the recipients and may not impose conditions on the manner in which the prizes or awards may be expended by the recipient. Grants made from such funds shall be referred to as "Individual Achievement Awards."

C. BCF also 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, scientific, teaching, or other similar capacity, skill, or talent of the grantee that relates to BCF'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 and Prizes to Achieve a Specific Objective."

**II. SCOPE.** BCF has established the following policy pursuant to which Scholarship Grants, Individual Achievement Grants and Awards and Prizes to Achieve a Specific Objective will be awarded. The following policy shall be interpreted so as to ensure BCF's compliance with all applicable requirements of law, including Internal Revenue Code §§ 4945 and 4966, accompanying Treasury Regulations and guidance from the Internal Revenue Service. This policy may be amended from time to time. BCF values and encourages the interest and involvement of donors to funds established to make Scholarship Grants and Individual Achievement Awards. Such involvement may include developing criteria for awards, serving on grant selection committees and recommending others for places on selection committees.

**III. SELECTION OF GRANTEES.** 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.

**A. Scholarship Grants.** In connection with Scholarship Grants, BCF 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 BCF's Scholarship Grants and to request that these administrators nominate potential candidates or encourage potential awardees to submit applications for scholarship aid.

**B. Individual Achievement Awards.** In connection with Individual Achievement Awards, BCF staff and designated members of selection committees established for such awards shall contact relevant community institutions and individuals to publicize the availability of BCF's Individual Achievement Awards and to solicit nominations for such awards. Candidates for such awards may take no part in the selection process.

**C. Awards and Prizes to Achieve a Specific Objective.** In connection with Awards and Prizes to Achieve a Specific Objective, BCF staff shall develop application or nomination policy that are appropriate to accomplish the purposes of the Fund under which any such award is established.

**IV. CRITERIA FOR SELECTION.** The criteria to be used in selecting grant recipients from a fund established at BCF must be based on criteria that are appropriate to accomplishing the underlying purpose of the grant as described in the agreement creating such Fund. BCF staff should work with donors to establish Funds that fulfill the donor's charitable goals and feature clear selection criteria.

**A. Scholarship Grants.** For Scholarship Grants, such criteria 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 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, 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 public law.

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. All Scholarship Grants must be used for

tuition and related expenses (as further described in Section VIII following) at an educational institution described 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 occur.

BCF 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 BCF's Board of Directors.

**B. Individual Achievement Awards.** In connection with Individual Achievement Awards, such criteria may include but are not limited to: the individual's past achievements and community involvements, other biographical information regarding an applicant's career, academic and other relevant experiences.

BCF reserves the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Individual Achievement Awards and the administration of such grants. Any substantial or material changes will be made only with approval of BCF's Board of Directors.

**C. Awards and Prizes to Achieve a Specific Objective.** In connection with grants to individuals to achieve a specific objective, produce a report or other similar product or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill or talent of the grantee that relates to BCF's mission, recipients may include graduate students, scholars, professionals or other individuals with specialized skills or knowledge. 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 career objectives to the charitable purposes of the Fund.

**V. GRANT SELECTION COMMITTEES.** BCF shall appoint all members of any selection committee charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards. Appointments shall be made by the Board of Directors. No combination of Donors, persons recommended or designated by Donors (or persons related to any of these persons) to a Fund that makes Scholarship Grants or Individual Achievement Awards 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 shall not constitute a majority of any such selection committee (persons may include individuals, partnerships, corporations or trusts).

Where a 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 Donor.

Donors and related persons 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 and Individual Achievement Awards

shall adhere to the relevant policies of BCF as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy.

Every member of any selection committee charged with the evaluation of candidates for Scholarship Grants and Individual Achievement Awards 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 BCF's Board of Directors, any substantial contributor to BCF, any employee of BCF, or any other disqualified person as defined in IRC § 4946(a) with respect to BCF, 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, 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 BCF staff in such form and on such schedules as the staff shall establish. Staff shall forward said recommendations to the Grants Committee prior to its final review meeting for the annual high school scholarships. At said final review meeting, committee members shall formulate recommendations on awards to be presented as an action item at the next meeting of BCF's Board of Directors. BCF Board shall review and independently approve or disapprove each recommendation before determining what awards shall be made.

**VI. APPLICATION AND NOMINATION PROCESS.** Applicants for Scholarship Grants and Awards and Prizes to Achieve a Specific Objective shall be required to submit such application forms and supporting materials as BCF may deem appropriate on a schedule to be determined by BCF. Individuals and organizations wishing to nominate others for Individual Achievement Awards shall also be required to submit such nomination forms and supporting materials as BCF may deem appropriate on a schedule to be determined by BCF.

**VII. GRANT RENEWALS.** Grants will ordinarily be awarded for a one-year period, but may be for a shorter or longer period. A Scholarship Grant or an Award or Prize to Achieve a Specific Objective may be renewable for a period appropriate to the purposes of the Fund under which the award is established. Otherwise, BCF 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.

## **VIII. SUPERVISION OF SCHOLARSHIP GRANTS.**

**A. Payment of Scholarship Grants.** Each Scholarship Grant shall be paid by BCF directly to the educational institution for the use of the scholarship recipient. Each such educational institution must meet the description of 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.

No part of the Scholarship Grant shall be used as payment to the recipient for teaching, research, or other services; nor shall the recipient be required to provide teaching, research or other services as a condition for receiving the scholarship.

**B. Special Procedures.** If for any reason, a Scholarship Grant is paid to a person or entity other than the educational institution attended by the scholarship recipient; if a Scholarship Grant is paid to a "for profit" educational institution; 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, BCF 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.

Where the reports submitted, 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, BCF is under a duty to investigate. While conducting its investigation, BCF shall withhold further payments to the extent possible until any delinquent reports required under the foregoing provisions of these procedures have been submitted.

If BCF learns that all or any part of a grant is not being used in furtherance of the purposes of the grant, BCF 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 funds to any use not in furtherance of the purposes of the grant, BCF 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.

Where a grantee has previously diverted funds received from BCF and BCF determines that any part of a grant has again been used for improper purposes, BCF 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, BCF shall withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) BCF has received the grantee's assurances that future diversions will not occur; and (3) BCF 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.

**IX. SUPERVISION OF INDIVIDUAL ACHIEVEMENT GRANTS AND AWARDS AND PRIZES TO ACHIEVE A SPECIFIC OBJECTIVE.**

A. Individual Achievement Grants cannot require a particular use of the funds, and no report shall be required of the recipient.

B. Recipients of Awards and Prizes to Achieve a Specific Objective or, if appropriate, the organization supervising the grantee's work, will be required to provide a written report to BCF 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 BCF for use in furtherance of its mission and the charitable purposes of the particular Fund under which such award was made.

**X. RECORDKEEPING REQUIREMENTS.** BCF shall retain the following records in connection with all Scholarship Grants, Individual Achievement Grants and Awards and Prizes to Achieve a Specific Objective: all information obtained by BCF to evaluate the qualifications of potential grantees, the identification of grantees (including any relationship of any grantee to BCF or to a director or officer of BCF), the purpose and amount of each grant, and any additional information BCF obtains in complying with its grants administration policy. 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 BCF's annual tax return for the period in which the last installment of such grant was paid.

*Adopted by the Board of Directors on May 21, 2013*

*Revision adopted by the Board of Directors on July 16, 2015*

*Revision adopted by the Board of Directors on November 17, 2017*

*Revision adopted by the Board of Directors on January 16, 2020*

*Scheduled for review in 2021*