



# Community Foundation of Eastern Connecticut

## AN INVESTMENT IN THE FUTURE: SCHOLARSHIP FUNDS

Thank you for your interest in setting up a scholarship fund at the Community Foundation of Eastern Connecticut (“Foundation”). The Foundation has been managing scholarship funds since its creation in 1983. We now hold 122 scholarship funds with total assets of exceeding \$18 million.

*To explore your ideas about setting up a scholarship fund, please contact Alison Woods, Vice President at 860-442-3572 or [alison@cfect.org](mailto:alison@cfect.org).*

When you establish a scholarship fund at the Foundation, you are investing in the future of local young people and/or non-traditional students who wish to further their education on the path to a bright, productive future. Together with our generous donors, we have helped more than 3,500 students advance their education, most of whom are from low to middle-income families and very often, the first in their families to attend college.

Scholarship seekers apply through the Foundation’s online application system. Recipients are selected by the Foundation’s Scholarship Committee (“Committee”) - comprised of community volunteers - on an objective, non-discriminatory basis, with final approval by the Foundation’s Board of Trustees. The Committee pays close attention to the established criteria of each scholarship fund to match qualified applicants. Scholarship awards are paid directly toward the recipients’ educational institutions.

In setting up your scholarship, you will want to decide whether you want it to be a permanent fund (endowed) or, whether you want the fund the scholarship annually (non-endowed). Bearing in mind the Foundation’s current spending rule of 5.25%, which includes a 1.25% annual administrative fee (1% for nonprofits), the minimum for an **endowed scholarship** is \$12,500 (generates \$500 scholarship). The minimum for a **non-endowed scholarship** is \$500 annually for one or more years with a 1% administrative fee assessed at the time the gift is made. Scholarship funds may be set up during lifetime or through a legacy provision in your estate plan.

To help those who need it most, we encourage you to keep the selection criteria as broad as possible. Some of the selection preferences include:

- Town(s) of residence (the Community Foundation covers 42 towns in eastern CT);
- High school, college or graduate student;
- Field of study;
- Financial need;
- Participation in community service;
- Academic performance, class rank;
- Excellence in sports;
- Qualities of character.

*Please keep in mind that the more requirements you have, the more difficult it is to find an appropriate candidate. Therefore, these are stated as preferences rather than requirements.*

### Further guidelines about scholarship funds at the Community Foundation:

The Pension Protection Act of 2006 includes the first comprehensive regulation of donor-advised funds, and it directly affects scholarship funds with donor involvement. In the past, we created scholarship funds that under the new legislation are reclassified as donor advised funds. The reason that the change is significant is that, under this new legislation, donor advised funds are **prohibited from making grants to individuals** (scholarship awards are grants to individuals, even if checks are cut and sent directly to the institution). The law does allow for exceptions *if* the advised scholarship fund meets certain criteria including:

- Recipients must be selected by a committee;
- Participation of a donor, persons designated or appointed by a donor and related parties is limited to participation as a minority member
- Donors, persons designated or appointed by donors, and related parties may not directly or indirectly control the committee;
- The Foundation's board of trustees must appoint all members of the committee;
- The Foundation must approve procedures for selecting recipients on an objective and nondiscriminatory basis. Each year, the Foundation offers awards from its scholarship funds which have a wide range of selection criteria. It advertises these opportunities and promotes an open, standard application process to the public and all the educational institutions in its service area well in advance of the online application deadline (visit [www.cfct.org](http://www.cfct.org)).
- Students who apply are considered by 6-14 member Scholarship Committees (comprised of Foundation board members and community volunteers) for any and all scholarships for which they are eligible. The Scholarship Committees adhere to the selection criteria for each scholarship when identifying candidates and build consensus as a group when choosing the recipients.

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