

# Scholarship Funds Q & A

**The purpose of CFHZ's Scholarships is to create an opportunity for people to provide educational opportunities to deserving local students.**

## **Why partner with CFHZ to establish a scholarship fund?**

As of 2015, CFHZ manages over 75 scholarships and offers professional assistance in the following areas:

1. Guidance in planning the scholarship. Our staff can help you clarify your goals for the scholarship.
2. Promotion of availability of scholarship in coordination with area high schools to ensure quality applicants.
3. Sophisticated investment management allows your endowed fund to live on forever.
4. Coordination of the administrative aspects of the selection/award process.
5. Ongoing evaluations of the scholarship process to ensure your charitable goals are being met.

## **How are recipients selected?**

Applications are submitted to CFHZ through an online application. The applications are provided to CFHZ's Scholarship Selection Committee, which is comprised of members of our Board of Trustees and community members.

The Scholarship Selection Committee reviews the applications based on the scholarship criteria you have established. The more specific you can be regarding the type of student you want to support the easier it is for the Scholarship Selection Committee to make sure your goals are being met. Many donors consider the following criteria as possible priorities for their scholarship:

- Academics (including minimum GPA requirements)
- Leadership
- Organizational or activity involvement, including service to the community
- Financial need
- Specific fields of study
- First generation college student

## **What type of awards can my scholarship give?**

At the time your fund is established, you can choose to give one-time awards or multi-year renewable awards. If you choose to give renewable awards, you also establish the renewal criteria. You have the choice as to whether your scholarship should be offered to graduating seniors, current college students, non-traditional students, or all of the above.

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## **May I serve on the Scholarship Selection Committee?**

Yes. We allow you to designate 2-3 representatives to join our Scholarship Selection Committee to assist in the review process for your scholarship.

## **May I suggest that a student apply for my scholarship?**

Yes, you may encourage any student to apply for your scholarship; however, it is important for you (and the student) to remember that he/she will be one applicant among many, and that there are no guarantees that the committee will select him/her.

## **How is the recipient notified?**

Once the Board of Trustees of CFHZ considers and votes on awards recommended by the Scholarship Selection Committee, we notify the recipient. The award notice includes the name of the specific fund that provided the scholarship. Recipients are recognized at school honor ceremonies, with many of the awards being presented by our staff.

## **Am I able to meet the scholarship recipients?**

Yes. CFHZ hosts an annual evening social event where scholarship donors get the opportunity to meet the students their scholarship is supporting.

## **What happens if a scholarship recipient does not end up going to college?**

A memorandum sent to the college explains CFHZ's policies and requests that the school notify us if the student does not register or withdraws from school. When this happens, institutions typically issue a refund check to CFHZ. Returned monies are credited back to your Scholarship Fund.

## **Is there anything I can't do with my Scholarship Fund?**

Yes. The IRS has one clear restriction regarding Scholarship Funds. You are not allowed to choose the individual recipient. You and your family may comprise a minority of the selection committee, but your tax deduction and our nonprofit status could be jeopardized if you, as the donor, control the selection process.

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## **Can a company establish a Scholarship Fund to benefit its employees?**

Yes. CFHZ is happy to help a company set up this type of scholarship. The IRS has specific rules for “Employer-Related Scholarship Funds” so please contact CFHZ directly for more details on this type of fund.

## **How do I add to my Scholarship Fund?**

You may make a tax-deductible contribution to your Scholarship Fund at any time. In many cases, significant tax benefits can be realized through gifts of appreciated stock or real estate.

Once your Scholarship Fund has been established, it is also simple to add to it by bequest. Simply name your fund as one of the beneficiaries of your will or trust. Or you may create a new fund(s) bearing your family name or in honor of a relative or friend to serve as a memorial to them. Grants will be made in the name of these fund(s) in perpetuity.

## **What is the minimum size of an endowed Scholarship Fund?**

An endowed scholarship needs to have a balance of \$15,000 in order to sustain a minimum annual \$500 award. A balance of \$25,000 will sustain a \$1,000 award. The fund minimum may be built with a multi-year pledge.

## **Are all Scholarship Funds endowed?**

While most Scholarship Funds at CFHZ are endowed, we allow donors to set up non-endowed scholarships. Non-endowed scholarships receive a higher administrative fee but otherwise operate identically to endowed scholarships.

## **How is the amount of the award determined if I have an endowed Scholarship Fund, and how many awards can be given from my fund?**

Each year, a calculation is made based on the average fund balance over the past 12 quarters. Four percent of that average balance is available for scholarship awards. We request a minimum award amount of \$500. If the spending policy is \$1,000 or more, the donor may recommend whether they want to increase the size of the award or distribute multiple awards. If a fund is to award scholarships to more than five recipients per year, there is an additional administrative fee that applies.

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## How is the Scholarship Fund invested?

The Board of Trustees has the ultimate responsibility for CFHZ's investment portfolio. The Board has delegated that responsibility to CFHZ's Investment Committee for implementing and ongoing monitoring. The Investment Committee meets bimonthly and is comprised of local business and financial leaders in our community. The Investment Committee selects custodians and financial advisors to manage CFHZ's investment portfolio. A complete investment profile is available upon request. CFHZ is audited annually, and its report as well as the Form 990 or 990-T are available upon request or on our website as PDF files.

## Will I receive an annual accounting of the fund's activities?

Yes, you will receive a quarterly fund statement. If the fund is endowed, the amount available for annual spending will appear in a letter in February.

## What fees are charged to the Scholarship Fund?

Each Scholarship Fund is charged an administrative fee to help cover the costs of administering the scholarship program and the overhead and operating costs of CFHZ. The administrative fee is set by CFHZ's current fee schedule. As of 2015, the fee for a Scholarship Fund ranges from 1 – 2.5% depending on whether the fund is endowed or non-endowed and the nature of the awards. There is a \$250 minimum annual fee for endowed scholarship funds and a \$500 minimum annual fee for non-endowed scholarship funds. Administrative fees are assessed quarterly, based on the market value of the fund.

“Not only does the recipient receive **financial** assistance, but equally important is the **support** and **encouragement** that the scholarship represents.”