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## Guidelines for Establishing a Scholarship or Department Fund at Ridgewater College Foundation

The following information is presented as a guide to individuals and organizations considering a donation to the Ridgewater College Foundation (RCF) for the establishment of memorial funds, endowed and non-endowed scholarship funds, or department funds to support the students attending Ridgewater College. RCF is a nonprofit 501(c)(3) charity, so your gifts/donations are fully tax deductible.

### First Consideration

The first thing you will need to decide how you want your contribution used. Do you want to provide scholarship assistance to students? Do you wish to provide financial support to enhance a department, curriculum, or program? Or perhaps you wish to make a general gift (unrestricted) to provide support to the College's greatest needs?

### Unrestricted Gifts

Just as the name describes, these gifts are given to RCF without designation or restriction as to how they might be used. Unrestricted gifts are used to support the college's "greatest needs", which are determined by the Board of Directors through the strategic planning process each year. These greatest needs might include new scholarships for students, technology or equipment needs for departments, curriculum development, special projects, professional development for staff, and/or to assist cover administrative costs. Unrestricted gifts of any amount will be accepted.

### Scholarship Funds

There are three options for establishing a new scholarship fund with RCF:

- (1) **A one-time named or one-time memorial scholarship** may be established with a minimum donation of Five Hundred Dollars (\$500.00). The scholarship fund must be paid in full a minimum of three (3) months prior to the start of the next scholarship application cycle. A common example of a one-time scholarship is one that uses memorial funds. A one-time scholarship may evolve into an annual named scholarship if additional funds are contributed. See item (2) below.
- (2) **An annual named scholarship** may be established with a minimum donation of Five Hundred Dollars (\$500.00). The donor must agree to maintain this scholarship for a minimum of three (3) years with the RCF. Each year's award must be paid in full a minimum of three (3) months prior to the start of the next scholarship application cycle. (RCF will provide friendly billing reminders when payment is due).

(3) **A named endowed scholarship fund.** This is a gift that lives and gives forever. The principal is invested and permanently restricted so that the principal (or corpus) is never spent. The principal earns income which funds the scholarship award(s). A written agreement is established between the donor and the Foundation regarding the endowment. A minimum gift of \$10,000.00 is required to establish a named endowment fund and the donor may request up to five (5) years as the timeframe in which to establish the principal. (A one year grace period may be granted at any point within this timeline if requested by the donor). Scholarship disbursements will begin 12 months after the fund reaches the \$10,000 minimum level, unless the donor provides an additional \$500.00 dollars to fund the first scholarship award sooner than the 12-month timeline.

The amount of the scholarship disbursement(s) from an endowed scholarship fund is determined by the Foundation Board's endowment payout policy, which is set in January of each year and which is largely contingent on market conditions and performance. Historically, our payout percentage on endowments has averaged 3-6% per year, calculated on the principal balance. Example: A \$10,000 endowment with a pay-out of 5% would generate a \$500.00 scholarship that year. (Due to the market decline in 2008, our payout percentage was reduced to a conservative 2.5% for several years, but is currently back up to 4%). While donors may not dictate the payout amount on an endowment fund, they may at any time provide additional temporary funds which can be added to the award amount to increase the funding to the student.

The principal in an endowed scholarship or department fund shall be *permanently restricted forever* and no part of the principal may be spent. Additional contributions by the donor may be added to the principal at any time. There are a few instances where the permanent restriction may be released, including:

- a) A restriction on the use of the fund, as recorded in the written agreement, becomes obsolete, inappropriate, impracticable or conflicts with administrative or academic policies of the college;
- b) The donor is unable to establish the minimum principal required for such an endowment within the time period allowed (including any grace periods); or
- c) The status of the College or Foundation changes and causes dissolution of the fund.

In the case of (b) and (c) above, the account would convert to a "current use" fund and monies would be expended for the donor's purpose until the fund is depleted. In the case of (a) above, the fund's income and principal may be used in a manner which is in the best interests of the College, bearing in mind the wishes of the donor(s) set forth in the Agreement; every effort shall be made by the Foundation to contact the donor(s) prior to any change in the Fund Disbursement.

### **Department or Program Support Funds**

Department or program support funds may be set up in the same manner as scholarship funds and will generally follow the same guidelines as set forth above for scholarship funds.

## Property and Purpose of the Funds

**Property of the Fund:** A donor's outright contributions of cash or property to RCF will be held and administered according to the terms of the scholarship or department fund agreement. All gifts to RCF, whether permanently restricted or otherwise, are irrevocable.

**Purpose of the Fund:** The donor must establish a purpose of the fund and the qualifying criteria for the scholarship recipient(s) in a written Scholarship Agreement.

**Use of Assets of the Fund:** The Foundation shall hold and distribute the income of the endowed funds as provided for in these Guidelines and in the written Scholarship Agreement.

**Use of Income:** The income of fund shall be used as expressed in the written agreement.

## Existing Scholarship Funds

**Contributions to existing funds:** Contributions of any amount may be added to existing scholarship or department/program funds at any time. A list of our existing scholarship and department/program funds is available and may be requested at any time.

**EXCEPTION for Existing Scholarship Funds:** Existing verbal and written scholarship agreements established as one-time, annual, or endowed scholarships prior to the development of these guidelines will be honored. However, a representative of RCF shall attempt to (1) establish written agreements with those donors whose funds are based on verbal agreements and (2) encourage all donors of existing endowed funds to contribute additional dollars or property to increase the principal (corpus) to our required minimum level of \$10,000 (for endowment).

## Setting Criteria for the Fund

Regardless of the type of scholarship or department fund that you create, you will want to specify the criteria that a student must meet to be eligible for your scholarship. Some factors you may want to include as criteria are:

### 1) Academics

Many donors wish to include school grades or GPA as a factor in selecting a recipient. While a "C" average is acceptable for admission to technical and vocational colleges, community colleges, and some four-year colleges and universities, a "B" average or better is often required for admission to competitive four-year institutions. Generally, the Ridgewater College Foundation requires a "B" average (3.0 minimum GPA) for most scholarships but donors may specify otherwise.

### 2) Major or Program or Campus

You may want to require that eligible students be enrolled in a particular program at Ridgewater College, or enrolled on a particular campus (Willmar or Hutchinson). Wherever possible, we encourage that scholarships be made available to students campus-wide.

### 3) Financial Need

Donors may elect to require that a student must demonstrate financial need. While the families of most students who attend post-secondary institutions complete state and federal government financial need

documents, RCF does not currently require that those documents be submitted with their scholarship applications. Instead, we ask all students to explain their financial need and any extenuating financial circumstances they may have in their application form. Students are also asked to indicate whether they have qualified for grants, loans and/or work study, which helps us determine the amount of other financial aid they may have available.

#### **4) Statement of Qualifications, Goals, Aspirations**

The RCF application form requires students to provide a brief essay (personal story) that explains why they chose their program of study, why they chose Ridgewater, what their short and long term education goals are, and what their short and long term career goals are. Students may also provide a brief statement as to why they believe they are deserving of a scholarship. This personal story is weighed heavily in the review and selection process.

#### **5) Other qualifications**

At times donors express a desire to specify student qualities, characteristics and achievements such as leadership skills, involvement in extra-curricular activities, etc.

**WARNING:** In determining criteria, it is very important to note that overly restrictive criteria (i.e., too many requirements) will greatly limit RCF's ability to find and/or select a qualified scholarship recipient.

### **Selection Committee**

Generally, RCF uses volunteers to screen and review scholarship applications and to select scholarship recipients based on the criteria established for specific scholarships and awards. These volunteers include college faculty, staff, and community members. A selection committee is typically made up of 3 or more individuals who jointly meet to rate and rank applicants and recommend recipients. A person or organization establishing either a one-time or continuing scholarship may request to form a scholarship selection committee from its own membership and donors **may** participate in the review committee process; however, the donor **may not** have sole discretion over selection of the candidate. The Selection Committee recommends the ranking of students for selection and the RCF Board makes the final selection and approval of all scholarship recipients, based on recommendations from the review committees.

### **Who to Contact:**

For more information regarding this document or donations to the Ridgewater College Foundation, please contact:

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