



P.E.O. Foundation
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Options for Scholarship Funds

If you are considering a transfer, a Cottey College, or a general scholarship fund, we would like to give you some basic information regarding how these scholarship funds operate and the three (3) disbursement options available. **Before proceeding, please read *Establishing a Fund in the P.E.O. Foundation*.** It contains important information you must know before setting up your scholarship fund.

Fund Financial Information

A fund may be established with an initial deposit of US \$1,000 toward a required minimum permanent balance of US \$5,000 which must be reached within five (5) years. Upon receipt of the initial deposit of US \$1,000 or more, together with the ***Form to Establish a Fund in the P.E.O. Foundation***, the P.E.O. Foundation staff will prepare a ***Statement of Operation***. This document determines how the fund will operate. The ***Statement of Operation*** must be signed and returned to the P.E.O. Foundation office by the donor within 90 days, or by default, the fund will become an Undesignated Fund. While changes to the ***Statement of Operation*** are allowed, they may be made no more than once every three (3) years.

An ***Annual Activity Statement*** will be prepared by the P.E.O. Foundation, which will be mailed either in November (for transfer funds), January (for state/provincial/district chapter scholarship funds), or February (for local chapter or individual scholarship funds), advising you of the amount of income available for scholarships.

An annual spending policy is determined by the P.E.O. Foundation Board of Trustees. This policy determines the portion of capital gains to be spent and the portion to be retained as principal. No variation from the P.E.O. Foundation's spending policy will be allowed. Any spendable income not awarded will remain in the fund, continue to earn investment income, and will be included in the amount available the following year.

Scholarship Selection Committee

A committee to select recipients of scholarships is chosen by the individual, local chapter or state/provincial/district chapter establishing the fund. The committee is responsible for selecting recipients. In order to comply with P.E.O. Foundation requirements and IRS regulations, selection of recipients must be in accordance with established guidelines provided by the P.E.O. Foundation. These procedures involve using objective standards in selecting recipients and maintaining adequate records to show that specific procedures are being followed. Recipients must be citizens or permanent legal residents of the U.S. or Canada and must be able to provide proof of such if requested. **An applicant related to a current member of the scholarship selection committee is NOT eligible for an award.** Scholarships are for women who are high school graduates or equivalent and are enrolled in a post-secondary school in the U.S. or Canada. Study abroad is permitted, provided the student is enrolled in a U.S. or Canadian institution. Additional criteria for awarding scholarships may be established by the individual, local chapter or state/provincial/district chapter committee. Such criteria should be in writing and may include, but are not limited to: financial need, institution to be attended, field of study, grade point average, personal recommendations, residency requirements, etc.

Scholarship Forms

Forms used in processing scholarships are available online on the Members site under the P.E.O. Foundation & Planned Giving link. Forms are to be completed and submitted as instructed. The P.E.O. Foundation Board of Trustees reviews and approves the applications to ensure that P.E.O. Foundation requirements and IRS regulations are met. After approval, the chairman of the selection committee is notified.

Scholarship Payment

Transfer funds are automatically transferred each November or accumulated until sufficient to pay awards as stipulated in the ***Statement of Operation***. Cottey College scholarships will be paid directly to Cottey College for a student who has been chosen by your scholarship committee. General scholarships may be paid to the recipient or to her account at the school in which she is enrolled (must be enrolled in a post-secondary school in the U.S. or Canada).

No scholarship fund shall be established whereby the income is transferred to a school or other foundation for their

selection of recipients.

Amounts over US \$4,000 will be paid in two (2) installments. Scholarships for US \$4,000 or less are paid in a single payment

Payments are mailed after July 1 when all requirements are complete. Scholarship committees of Canadian funds should inform recipients of the approximate equivalent in Canadian dollars, **but all payments will be made in U.S. currency.**

The amount available for paying scholarships can be determined in one of three (3) ways:

- A. **Scholarship amount to be determined by the P.E.O. Foundation's spending policy as described above.** Scholarships are paid from net income and a portion of net realized gains as determined by the spending policy. Contributions are retained as principal. This focuses on future growth of the fund while still allowing for scholarships to be awarded.
- B. **Set a specific scholarship amount.** This provides the donor (chapter or individual) with the opportunity to set a scholarship amount that may be awarded in those years when that amount has been reached. If that set amount has not been reached in a given year, the accumulated funds will be retained until the set amount has been reached. Scholarships are paid from contributions, net income, and net realized gains. The fund balance must remain at US \$5,000 or more.
- C. **Set a principal balance (US \$5,000 or more) and transfer or award any excess amount over that set principal balance.** Transfers or scholarships are paid from contributions, net income, and net realized gains. This does not allow the fund to grow or to offset inflation.

Examples

In an attempt to illustrate these different options, assume a donor (chapter or individual) establishes a fund with a US \$5,000 contribution in 20XX. During fiscal year 20XY, they add US \$1,000 in contributions, earn US \$200 net income and receive capital gains of US \$100. Under the proposed options above, this fund could operate three (3) different ways as illustrated in the examples below.

Note: Amounts used for net income and realized gains are for illustrative purposes only and are in no way an estimation or guarantee of earnings on any funds held by the P.E.O. Foundation.

The award amount and principal balance shown in Options B and C are examples. You may choose to award any amount for a scholarship (Option B) or you may set any principal balance (Option C), provided it is above the minimum principal balance of US \$5,000.

Option A

In this example, the P.E.O. Foundation's spending policy determines the amount to be awarded in scholarships. Note: All contributions are added to the principal balance and retained. Assuming the spending policy for this year states that 70% of realized gains will be retained in the principal balance and 30% will be available to award, the **Annual Activity Statement** would be presented as follows:

Beginning fund balance, July 1, 20XX	\$ 5,000
Contributions	1,000
Net income (net of expenses)	200
Net realized gains	<u>100</u>
Ending fund balance, June 30, 20XY	\$ 6,300
Principal balance retained	
(\$5,000 + 70% gains + contributions)	<u><6,070></u>
Available income for scholarships	<u>\$ 230</u>

Option B

In this example, the chapter specifies in the **Statement of Operation** that the fund is to pay out US \$500 in scholarships. If the fund does not have at least US \$500 over the required US \$5,000 minimum fund balance in a given year, the accumulated funds will be retained until the set amount has been reached. Under this option, principal balance is not an issue, since the **Statement of Operation** dictates a US \$500 payout whenever possible. The **Annual Activity Statement** would be presented as follows:

Beginning fund balance, July 1, 20XX	\$5,000
Contributions	1,000
Net income (net of expenses)	200
Net realized gain	100
Ending fund balance, June 30, 20XY	<u>\$ 6,300</u>
Scholarship to be awarded	<u>\$ 500</u>

Option C

In this example, the donor (chapter or individual) has chosen a set principal balance of \$5,000. Any excess over that set principal balance may be transferred or awarded. Transfers or scholarships are paid from contributions, net income and net realized gains. The **Annual Activity Statement** would be presented as follows:

Beginning fund balance, July 1, 20XX	\$ 5,000
Contributions	1,000
Net income (net of expenses)	200
Net realized gains	100
Ending fund balance, June 30, 20XY	<u>\$ 6,300</u>
Required principal balance	<u><5,000></u>
Available amount for transfers or scholarships	<u>\$ 1,300</u>

These are the scholarship options allowed. Each has a slightly different emphasis, from growing the fund, to allowing maximum scholarship payouts. These three (3) variations allow flexibility for donors yet provide a necessary structure for administration.

Please take some time to consider which one (1) of the options you would like to use when establishing your transfer or scholarship fund, and be sure to indicate Option A, Option B, or Option C on the **Form to Establish a Fund in the P.E.O. Foundation** which you have chosen. This information is required before your **Statement of Operation** can be prepared.

P.E.O Foundation Requirements

In an effort to administer the large number of P.E.O. Foundation funds efficiently, the following policies have been implemented:

Funds Non-Transferrable

Transfers of income from one P.E.O. Foundation-administered fund to another such fund are not permitted. Donors who wish to support a current fund should make their contribution directly to that fund.

Non-Compliant Funds

A fund that is not fully funded with the requisite US \$5,000 minimum balance five (5) years from the date it is established shall be terminated and the balance shall be distributed as part of the undesignated funds of the P.E.O. Foundation.

Funds Non-Returnable

All gifts or donations become part of the P.E.O. Foundation and must be used for P.E.O. educational or charitable purposes. Due to IRS tax regulations, once funds are in the P.E.O. Foundation they cannot be returned to the individual donor or to the local or state/provincial/district chapter from which they were received.