



SCHOLARSHIP ENDOWMENT PROGRAM FAQ Sheet

The American Occupational Therapy Foundation (AOTF) Scholarship Endowment Program offers state associations, affiliated group partners and individuals the opportunity to create scholarship endowments or increase their scholarship endowments with the Foundation.

How to Create an Endowment:

AOTF drafts an endowment agreement based on the purpose and criteria requested by those creating the endowment. The agreement outlines the services provided by AOTF and the responsibilities of those creating the endowment.

The agreement is reviewed, edited as necessary, and signed by authorized representatives of both the Foundation and the partner organization creating the endowment. A copy of the signed endowment document is given to the partner organization and a copy is maintained by AOTF. The endowment funds are transferred to Sand Hill Global Advisors for deposit with Fidelity Investments in the Foundation's reserved fund holdings. A well-defined investment management policy and conservative investment provides for the highest possible yield with the lowest possible risk. The scholarships or fellowships are funded each year from the **earnings** on the invested funds.

The actual scholarship or fellowship amount to be awarded each year is based on the earnings of the designated endowment and authorized by the Foundation board. Available earnings are based on rolling performance averages from the previous year and other criteria, which protect the funds from fluctuations in the market. The spending rate insures that the endowment keeps pace with inflation and continues to grow. At no time can the principal (corpus) of an endowment be used to award a scholarship or fellowship. This is what makes the endowment perpetual and enduring.

By law, endowment funds are permanently restricted and can **only** be used for the purposes specified in the endowment agreement. Similarly, awards must be given according to the criteria specified in the signed agreement. AOTF provides an annual accounting of the balances and expenditures of its endowment holdings. The growth of an endowment will depend on the number of awards given, investment earnings, and additional contributions made to the account. AOTF assesses a modest, flat administrative fee each year to partially offset the costs of managing endowment funds.

Frequently Asked Questions

Q: How much money is needed to fully establish a scholarship endowment?

A: The minimum amount to establish an endowment is \$25,000 and can be funded at one time, pledged over several years or created as part of a bequest or estate gift. Endowments can be named in honor or memory of individuals or other designees.

Q: Will AOTF assist in raising funds for endowed funds?

A. AOTF is committed to creating as many scholarship endowments as possible to meet the needs of students who must contend with the escalating costs of a professional education. While AOTF cannot raise money for other organizations, the Foundation can advise on fundraising practices and initiatives.

Q: How do donors know about the status of their scholarship endowments?

A: A state association treasurer or other designee will receive annual endowment fund balance reports that show the principal (corpus), any additions to the corpus and the operating fund balance. The AOTF Investment Committee, acting in consultation with our investment advisors, determines the spending rate for the given year. The spending rate is a percentage of the earned income on the investment results of the previous year and other factors, such as inflation. Once this rate is set, endowment operating fund accounts are credited with the earnings on a three- year rolling average of the value of the corpus and scholarships may be awarded from these funds by AOTF according to the criteria in the endowment agreement.

Q: Can donors advise on the amount of scholarships to be awarded each year?

A: AOTF welcomes recommendations by its donors, however, control of the investment and decisions about disbursements rests with the Foundation under the oversight of its Board of Directors. By law, the principal must stay intact and only the interest (or investment returns) earned can be spent. A donor may recommend that a portion of the operating funds from year to year be reinvested to build the balance of the fund. However, once monies allocated to an operating account are deposited back into the endowment corpus, they become part of the corpus and cannot be returned to the 'operating account'.

Q: Can donors determine who receives a scholarship award?

A: No - that is not permitted by law, however, the agreement is written so that the fund is used according to the intent of those creating the endowment. Specifications can be made regarding the number and criteria for awards and may also indicate that recipients be residents of a state, attend an accredited program in a state, and be a member in good standing of a state association. The AOTF scholarship selection committee then selects the applicant who best meets those criteria.

Q: Describe the scholarship selection process.

A: AOTF has a standing scholarship selection committee chaired by an elected member of the Board and comprised of educators and practitioners from across the country who serve specified terms. AOTF uses a online application process for which it pays an

annual license fee. This process enables applicants to complete their application online and includes a vehicle for gathering recommendations from program directors and others. Committee members review and score applications online. The system aggregates the data and allows selection of the most qualified recipients by matching them with criteria specified in endowment agreements. Applications are completed during the Fall, reviewed during the early Spring, and announced in April. Checks are sent to awardees after the Board approves the list of recommended recipients. Board approval is given before endowment disbursements are made.

Q: Are any fees involved?

A: A \$200 annual administrative fee is assessed each endowment. This rate will remain the same through 2015 at which point, AOTF may reconsider the fees it assesses.

Q: Our state has a scholarship fund with AOTF, but it is not yet endowed. How can it be converted into an endowment?

A: A scholarship fund can be made into an endowment with a signed endowment agreement and with a minimum of \$25,000 in the fund.

Q: What if a state association has a scholarship fund with AOTF but elects not to sign an endowment agreement with the foundation?

A: While AOTF hopes that it can continue existing partnerships, in the event a state association elects not to sign an endowment agreement, it can:

1. Allow AOTF to hold the balance of the scholarship fund and continue to award scholarships until the balance is equal to zero. This must be accomplished by 2015, or;
2. In writing, request that the balance of the scholarship fund be returned to the state. In the event that funds are returned, organizations should honor the intent for which the donated funds were originally given and not utilize the funds for purposes other than for scholarships.

Q. Why can't un-endowed scholarship agreements signed years ago continue?

A. The Uniform Prudent Management of Institutional Funds Act (UPMIFA), drafted in 2006 and adopted by nearly every state legislature, requires strict oversight and accountability of funds held by non-profits, and especially those held by foundations. Some older agreements are no longer acceptable under this legislation.

For more information, please contact the American Occupational Therapy Foundation at 240-292-1079.