Options for P.E.O. Foundation Scholarship Funds

If you are considering a Cottey College or a general scholarship fund, there are two (2) 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. If you are a local chapter, please also read The Local Chapter Checklist.

Scholarship Payment Options

The amount available for paying scholarships can be determined in one of two (2) ways:

A. **Scholarship amount to be determined by the P.E.O. Foundation's spending policy.** The annual spending policy is approved by the P.E.O. Foundation Board of Trustees, and scholarships are paid from net income and a portion of net realized gains as determined by the policy. No variation from the P.E.O. Foundation's spending policy will be allowed. Any spendable income not awarded remains in the fund, continues to earn investment income, and is included in the amount available the following year. Contributions are retained as principal. This focuses on future growth of the fund while still allowing for scholarships to be awarded.

B. **No longer an option for funds established after November 2021.**

C. **Set a principal balance (US $10,000 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 $10,000 contribution in 20XX. During fiscal year 20XY, they add US $1,000 in contributions, earn US $400 net income and receive capital gains of US $200. Under the proposed options above, this fund could operate two (2) 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.***

Option A

In this example, the P.E.O. Foundation's spending policy determines the amount to be awarded in scholarships. 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	$ 10,000
Contributions	1,000
Net income (net of expenses)	400
Net realized gains	200
Ending fund balance, June 30, 20XY	$ 11,600
Principal balance retained ($10,000 + 70% gains + contributions)	<11,140>
Available income for scholarships	$ 460

Option B – No longer an option for funds established after November 2021

Option C

In this example, the donor (chapter or individual) has chosen a set principal balance (example of $10,000). 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	$ 10,000
Contributions	1,000
Net income (net of expenses)	400
Net realized gains	200
Ending fund balance, June 30, 20XY	$ 11,600
Required principal balance	<10,000>
Available amount for transfers or scholarships	$ 1,600

These are the scholarship options allowed. Each has a slightly different emphasis, from growing the fund, to allowing maximum scholarship payouts. These two (2) variations allow flexibility for donors yet provide a necessary structure for administration.

Please take some time to consider which options you would like to use when establishing your scholarship fund, and be sure to indicate Option A, or Option C on the ***Form to Establish a Fund in the P.E.O. Foundation.*** 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 $10,000 USD minimum five (5) years from the date established shall be terminated, and the balance shall be distributed as part of the Annual Impact distribution of the Undesignated funds of the P.E.O. Foundation. (Funds established prior to July 1, 2026 may have a minimum principal balance of $5,000 USD.)

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.