Public School Scholarship Granting Organization Toolkit

September, 2026

Prepared as an operational resource for Scholarship Granting Organizations focused on supporting public schools.

AASA THE SCHOOL SUPERINTENDENTS ASSOCIATION

National Association of Education Foundations

Important Legal and Implementation Notice

This toolkit is an operational planning resource designed to help public school supporters and organizations ensure that public school students and districts can benefit from the Federal Scholarship Tax Credit program. This toolkit is not legal, tax or accounting advice. Section 25F, also known as the Federal Scholarship Tax Credit (FSTC), is a new part of the Internal Revenue Code (IRC), and the U.S. Department of the Treasury is still developing implementation regulations and guidance. Treasury announced on June 10, 2026 that proposed regulations are expected by the end of September 2026 and that states, SGOs and taxpayers are expected to be able to rely on those proposed regulations for tax year 2027. Organizations that seek to operate as a scholarship granting organization (SGO) should have qualified legal counsel and a CPA review their structure, state filings, scholarship policies, donation processing, public-charity classification and annual compliance before launch.

Current federal implementation status (September 1, 2026)

The FSTC is scheduled to begin January 1, 2027. States have until then to opt into the program and to prepare lists of in-state SGOs that can accept qualifying donations beginning on that date. State processes for identifying and certifying SGOs are state specific and still being developed and will not be uniform. Treasury expects to issue regulations by the end of September and then, sometime afterward, additional guidance regarding what counts as an eligible expense for the scholarships.

The toolkit distinguishes three types of guidance:

- Federal requirement — a requirement currently stated in IRC §25F or current IRS/Treasury implementation guidance.
- State requirement — a requirement imposed by the organization's state of incorporation, charitable-solicitation jurisdiction, or participating state SGO process. These vary by state.
- NAEF & AASA recommended practice — a governance, financial, scholarship, fundraising or operational practice recommended for sound administration. These practices are not presented as federal legal requirements unless specifically identified as such.

How to Use This Toolkit

This manual is organized in the order a new public school SGO should generally work: understand the federal program; form the legal entity; build the board and governance system; decide how the organization will be staffed and managed; establish financial controls; obtain state and federal approvals; design scholarship policies; build donation and technology systems; launch fundraising; administer awards; report, audit and renew; and continuously evaluate performance. Each chapter ends with implementation checkpoints or practical tools.

All content in this toolkit is prepared as of September 1, 2026 and is subject to change as further regulation and guidance is released.

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CHAPTER 1

Understanding the Federal Scholarship Tax Credit and the Public School Focused SGO Model

1.1 Purpose of the Federal Program

In 2025, the One Big Beautiful Bill Act created Internal Revenue Code §25F, which established a new federal income tax credit intended to encourage private charitable contributions to qualifying Scholarship Granting Organizations (SGOs) that provide scholarships to eligible students for eligible elementary and secondary education expenses. The credit is scheduled to be available beginning January 1, 2027.

For a public school focused scholarship granting organization, the key operational fact is that ordinary 501(c)(3) status is not enough: the organization must also satisfy special SGO requirements and be placed on the applicable participating state's SGO list for the calendar year in which contributions are intended to qualify for the credit.

1.2 Federal Requirements an SGO Must Build Around

Current federal law and IRS implementation guidance establish the following core requirements of the SGO under the FSTC. The organization should design its articles, bylaws, financial system, scholarship policies, application process, donor systems and annual calendar so these requirements are not afterthoughts.

Requirement	Operational Meaning
501(c)(3) public charity status	The SGO must be an organization described in §501(c)(3), exempt under §501(a), and classified as a public charity rather than a private foundation.
Separate qualified-contribution accounts	Qualified contributions must not be commingled with other amounts; the SGO must maintain one or more separate accounts exclusively for qualified contributions. All contributions made under §25F must be maintained in segregated accounts.
Minimum reach	The organization must provide scholarships to 10 or more students who do not all attend the same school. Scholarships must be provided to two or more individual schools.
90% scholarship spending rule	The organization may not spend less than 90% of its income on scholarships for eligible students. Current IRS notice language anticipates that "income" will include all organizational income, not only qualified contributions, subject to forthcoming "safe harbor" regulations.
Qualified expenses only	Scholarships may pay only qualified elementary or secondary education expenses as defined by reference to the parallel provision for the Coverdell education savings account program in §530(b)(3)(A).
Required priority	Scholarship policies must give priority first to students who received a scholarship from the organization for the previous school year, and then to eligible students who have a sibling who received a scholarship from the organization.
No student earmarking	Contributions may not be earmarked or set aside for a particular student.
Income and household verification	The SGO must verify annual household income and family size and limit awards to students meeting the statutory area-median-income threshold.
Disqualified persons	The organization may not award scholarships to disqualified persons under rules similar to §4946.
State listing and geographic use	Qualified contributions must be used for eligible students solely within the state in which the organization is listed for those contributions. The SGO must also appear on an annual list produced and submitted by the States as an eligible entity. Treasury has thus far indicated that states will have little to no discretion about which SGOs are on the list provided they meet the other requirements listed above.

1.3 The $1,700 Federal Scholarship Tax Credit

Beginning in 2027, an individual U.S. taxpayer may be eligible for a nonrefundable federal income tax credit for qualified cash contributions to a listed SGO. The annual credit is capped at $1,700 per taxpayer. The federal credit is reduced by any state tax credit allowed for the same qualified contributions. Organizations should never market the credit as an automatic refund, guaranteed tax savings, or a deduction; taxpayer eligibility and final tax treatment depend on the taxpayer's circumstances and the rules in effect for that year. A donor cannot claim both the credit and a charitable deduction for the same cash contribution.

Donor communication rule

Use careful language such as: "Eligible individual taxpayers may be able to claim a federal tax credit of up to $1,700 for qualified cash contributions, subject to federal law, SGO listing in a participating state, and the taxpayer's individual tax circumstances." Avoid saying "Give $1,700 and get $1,700 back."

1.4 Qualified Elementary and Secondary Education Expenses

Section 25F references the Coverdell ESA definition in §530(b)(3)(A). Current IRS Publication 970 describes qualified elementary and secondary education expenses to include the following categories when statutory conditions are met (further clarification from US Treasury is pending):

- Tuition and fees incurred in connection with enrollment or attendance at an eligible elementary or secondary school.
- Books, supplies and equipment.
- Academic tutoring.
- Special-needs services for a special-needs beneficiary.
- Room and board, uniforms, transportation, and supplementary items and services (may include extended-day programs), when required or provided by an eligible elementary or secondary school in connection with enrollment or attendance.
- Certain computer hardware, peripheral equipment, software, internet access and related services used by the student and family during elementary or secondary school years, subject to statutory limitations.

An SGO should not simply create a broad list and assume every item in a category is eligible. Its written expense policy should require documentation that connects each expenditure to an eligible student and confirms any "required or provided by the school" condition. Pending final guidance, the organization should be cautious regarding what expenses may qualify and obtain counsel review for any expenses that may not be fully allowable.

1.5 School and Provider Payments

Qualified FSTC expenses are not limited to private school tuition. The program expressly reaches the full range of eligible expenses listed above that are incurred by eligible students attending public, private or religious elementary and secondary schools. A public school focused SGO may therefore design a scholarship model that supports only eligible public school students or a model that also supports students in other eligible settings if so desired. The safest operational principle is student-level traceability: every scholarship disbursement should be tied to a named eligible student, an approved qualified expense(s), supporting documentation, and a payment record. Blanket grants or blank checks to students, school districts, or providers are not allowed under the legislation. Payments to school districts or providers must be directly tied to individual eligible students and the qualified expenses for each student.

1.6 NAEF Guiding Principles for Public School Focused SGOs

NAEF recommends that public school focused SGOs adopt a set of governing principles at formation and revisit them annually. These principles are adapted from NAEF's guiding principles and the National Association of Education Foundations SGO operating toolkit but are presented here as best practices for public school organizations:

Principle	Expected Practice
Integrity	Decisions are honest, ethical and consistent with applicable law and adopted policy.
Transparency	Governance, financial activity and scholarship processes are documented and appropriately open to oversight.
Stewardship	Donated funds are charitable assets held for public benefit and managed for their intended purpose.
Equity and Fairness	Scholarship opportunities are administered fairly, consistently and without improper preference.
Accountability	Board, staff, contractors, volunteers and committees share responsibility for safeguarding the program.
Excellence	The SGO measures performance, corrects weaknesses and continuously improves.

1.7 The Public School Focused SGO Lifecycle

1. Form the nonprofit corporation in your state by filing Articles of Incorporation and appoint the initial Board of Directors.
2. Adopt bylaws and core governance policies for the focused SGO, including a conflict of interest policy.
3. Obtain an Employer Identification Number (EIN) and establish banking and accounting infrastructure.
4. Apply for tax exemption as a 501(c)(3) and public-charity with the Internal Revenue Service using Form 1023.
5. Register for a charitable solicitation permit (required in most states) and other state requirements as applicable.
6. Determine the operating model: direct staff, contracted management, shared services, or a hybrid.
7. Monitor state participation under §25F and complete the state's SGO application/certification process when available. This must be completed annually on an ongoing basis.
8. Build separate qualified-contribution accounting and donation-processing controls.
9. Adopt scholarship eligibility, expense, selection, payment, renewal and appeals policies and revise them as needed as federal regulations and guidance are issued.
10. Implement a trusted Customer Relationship Management (CRM), scholarship application and document-management system/systems.
11. Launch donor education and applicant outreach only after the organization can accurately describe its legal status and program eligibility.
12. Receive qualified contributions, award scholarships, document disbursements, provide written acknowledgements to donors, monitor compliance and complete annual federal/state reporting.

1.8 The Importance of a Strong SGO-District Partnership

When Scholarship Granting Organizations and school districts work in close partnership, both are better positioned to serve students and strengthen public education. Although an SGO is an independent nonprofit organization with its own governing board and fiduciary responsibilities, an SGO focused on public school students should not operate in isolation from the school systems and students it seeks to serve.

The strongest SGO-district partnerships are built around a students-first approach. Scholarship programs, funding priorities, and eligible educational opportunities should begin with a clear understanding of what students need to succeed academically and what opportunities will provide meaningful educational value. This requires ongoing collaboration with school district leadership, educators, and other appropriate school personnel who understand student performance, academic needs, barriers to participation, and the programs and services available within the school system.

Alignment with District and School Priorities

An SGO should develop its scholarship strategy with an understanding of the district's strategic plan, school improvement plans, academic priorities, workforce needs and college-readiness goals, and other identified student needs. The SGO should also consider its own strategic plan and charitable mission and identify areas where the priorities of the two organizations intersect.

Alignment does not mean that the school district controls the SGO or that the SGO simply funds whatever the district requests. Rather, it creates a structured process through which the SGO can make informed, independent decisions about where scholarship resources can have the greatest impact for eligible students.

As part of this process, the SGO should periodically ask:

- What academic or educational needs have been identified by the district and individual schools?
- What do school improvement plans and student-performance information indicate about areas of greatest need or opportunity?
- What programs, services, experiences, or resources could help students address those needs?
- Are there barriers preventing eligible students from participating in academically valuable opportunities?
- Are scholarship resources reaching students and schools equitably across the SGO's service area?
- Are funded opportunities aligned with applicable state academic requirements and educational standards?
- What evidence demonstrates that funded programs and services are benefiting students?
- Should scholarship priorities, award levels, eligible programs, or outreach strategies be modified based on student outcomes or changing needs?

These conversations should occur as part of an established planning process rather than only when the SGO is preparing to award scholarships.

Connecting Scholarships to Academic Standards and Student Success

For a public school-focused SGO, scholarship funding should be more than a mechanism for paying eligible expenses. It should be a strategic tool for expanding access to educational opportunities that enrich learning and contribute to student success.

When appropriate, scholarship priorities should support educational experiences that complement state academic standards, district curriculum, school improvement strategies, college and career readiness, and other established educational goals. This may include opportunities for academic enrichment, tutoring and supplemental instruction, career and technical education, STEM learning, advanced coursework, dual enrollment, extended learning, special-needs services, educational technology, and other qualified expenses permitted under federal and state requirements.

The objective is not to replace the district's responsibility to provide its core educational program. Instead, the SGO should use scholarship resources to expand access, remove barriers, and create additional opportunities for eligible students in ways that complement and enhance the educational work already occurring in schools.

Establishing an Ongoing District-SGO Planning Process

Strong alignment requires more than an annual conversation. The SGO should establish a regular process for receiving district input and evaluating changing student needs.

At least annually, and preferably at key points throughout the scholarship cycle the SGO and designated district representatives should review:

1. district strategic priorities and relevant school improvement priorities;
2. available student-performance and needs information;
3. participation and access gaps among students and schools;
4. existing and proposed educational programs that may qualify for scholarship support;
5. scholarship utilization and demand;
6. program participation and completion;
7. educational and program outcomes, where available;
8. feedback from students, families, educators, and school leaders;
9. emerging student needs or changes in district priorities; and
10. opportunities to modify future scholarship priorities, eligible programs, outreach, or award structures.

This creates a continuous improvement cycle:

The SGO's scholarship policies should permit the organization to respond appropriately as needs and educational priorities evolve, while continuing to comply with federal and state eligibility requirements and the SGO's adopted policies.

Appropriate Information Sharing

A strong partnership also depends on access to appropriate information. Subject to applicable privacy laws and agreements, the SGO and school district should establish processes for sharing the information necessary to plan programs, verify participation, understand student needs, evaluate utilization, and assess educational outcomes.

Whenever possible, planning and program evaluation should rely on aggregated or de-identified information rather than personally identifiable student information. When student-level information is necessary for scholarship administration or evaluation, the organizations should establish appropriate data-sharing agreements, privacy protections, access controls, and record-retention procedures.

The purpose of information sharing should always be clear: *to improve decisions about how scholarship resources can most effectively serve students.*

Maintaining Independent Governance

Collaboration with the school district should be strong, intentional, and ongoing, but the SGO must maintain the independence necessary to satisfy its legal and fiduciary responsibilities.

The SGO Board remains responsible for establishing scholarship policies and priorities and ensuring compliance with IRC §25F and applicable state requirements. District participation should therefore inform SGO decision-making without transferring control of the SGO's governance, finances, or individual scholarship decisions to the school system.

NAEF & AASA Recommended Practice: Formalize the Partnership

A public school-focused SGO should consider formalizing its relationship with participating school districts through a written partnership agreement or Memorandum of Understanding (MOU).

The agreement can establish expectations for regular communication, annual planning, identification of student needs and eligible educational opportunities, outreach to students and families, appropriate information sharing, program evaluation, and reporting of outcomes.

As an additional best practice, one or more designated district leaders may serve as nonvoting, ex-officio participants in the SGO's board or advisory structure when permitted by state law and the organization's bylaws. This provides district leadership with a formal opportunity to share educational priorities, emerging student needs, implementation considerations, and program outcomes while preserving the independence of the SGO Board.

Students First

The ultimate measure of a successful SGO-district partnership is not simply how much money is raised or how many scholarships are awarded. It is whether scholarship resources are creating meaningful educational opportunities for students.

A students-first SGO continually asks whether its resources are reaching students who can benefit from them, whether funded opportunities are academically meaningful, whether programs are producing the intended results, and whether changing student needs require the organization to adjust its approach.

Independent governance and strong district alignment are not competing principles. Together, they allow an SGO to remain accountable to its charitable mission while ensuring that scholarship resources are informed by educators, responsive to student needs, aligned with educational priorities, and focused on improving opportunities and outcomes for students.

CHAPTER 2

Forming a Public School Scholarship Granting Organization

2.1 Start with a Formation Team and Written Launch Resolution

Before filing anything, identify a small formation team, typically three to five people with authority to develop the organization and recruit the founding board of directors. The team should document the proposed name, mission, state of incorporation, anticipated service geography, initial scholarship model, target launch date, expected first-year revenue, and whether operations will be staffed directly or contracted. A short written formation resolution or memorandum creates a record of why the entity is being formed and helps legal counsel, accountants and prospective directors work from the same assumptions.

Best Practice: Alignment with the School District

A public school-focused SGO should operate as a trusted strategic partner of the school district, aligning scholarship priorities with identified student needs, district and school improvement priorities, and opportunities that strengthen student learning. Regular communication and shared planning give district leaders a meaningful voice in identifying needs, programs, and emerging priorities. As a best practice, designated district leaders may serve in nonvoting, ex-officio roles within the SGO's governance or advisory structure, helping maintain strong alignment while preserving the SGO Board's independent governance, fiduciary responsibility, and authority over scholarship policies and decisions. The goal is a students-first partnership that combines district knowledge with independent SGO stewardship to direct resources where they can have the greatest impact.

2.2 Choose the State of Incorporation

Most public school focused SGOs should incorporate in the state where they will be headquartered and where their board and primary operations are located. Incorporating elsewhere can create additional foreign-registration obligations without providing practical benefit. Before filing, confirm the state of incorporation's nonprofit corporation statute, registered-agent requirement, minimum number of directors, name availability, filing fee, annual corporate report requirement and whether the state charity regulator imposes separate registration. If the SGO will administer scholarships in multiple states, then consideration should be given as to which state's nonprofit corporation statute is most desirable.

2.3 Recruit the Founding Board Before Filing

Do not treat the board as a ceremonial step after incorporation. The founding board will adopt the bylaws, authorize the exemption application, approve bank signers, establish financial controls, hire or contract management, approve scholarship policies and ultimately bear fiduciary responsibility. Recruit directors before finalizing governing documents so the governance structure fits the people who will actually serve. The Board should also be educated on compliance rules for 501(c)(3) organizations in general, such as, the prohibitions on private inurement, private benefit and political campaign activity, and limits on lobbying.

2.3.1 Recommended Founding Board Composition

A practical public school focused SGO founding board is usually large enough to provide diverse expertise but small enough to act quickly. State law controls the legal minimum. As a recommended practice, consider 5–11 voting directors, with and odd number of members with staggered terms once the board is established. Avoid a board dominated by one family, or one donor.

Expertise/Representation	Why It Matters
K–12 education	Understands student, school and family realities.
Finance/accounting	Oversees restricted funds, 90% rule, budgeting and controls.
Legal/compliance	Helps identify and mitigate state, federal, privacy and conflict risks.
Fundraising/philanthropy	Builds donor pipeline and stewardship discipline.
Technology/data security	Supports CRM, scholarship systems and PII protection.
Community/business leadership	Builds credibility, partnerships and donor reach.
Operations/HR	Supports staffing, contracts, performance and continuity.
Parent/community perspective	Adds practical insight into application accessibility and student needs.

2.4 File Articles of Incorporation with the State

The articles of incorporation legally create the nonprofit corporation. File with the secretary of state or equivalent corporate filing office. State forms vary; some provide a short online form and allow additional provisions to be attached. Do not rely on generic "nonprofit" language alone. The articles should be drafted to satisfy both state law and the IRS organizational test for §501(c)(3).

At a minimum, confirm that the articles:

- State one or more exempt purposes recognized under §501(c)(3), with education and charitable purposes appropriate to scholarship activity.
- Prohibit activities that are inconsistent with §501(c)(3), including private inurement and political campaign activity.
- Include a dissolution clause permanently dedicating assets to one or more §501(c)(3) exempt purposes or to government for a public purpose.
- Identify the registered agent and registered office as required by state law.
- Identify incorporator(s), initial directors or members if required by the state form.
- Use the exact legal name that will later appear on the EIN application, Form 1023, bank account and state SGO application.

Do not put essential 501(c)(3) clauses only in the bylaws

The IRS organizational test focuses on the organizing document, typically the articles of incorporation. Purpose and dissolution language should be included in the articles even if similar language appears in the bylaws.

2.5 Obtain an Employer Identification Number (EIN)

After the corporation legally exists, obtain an EIN from the IRS. An EIN is required to apply for recognition of exemption on Form 1023 and is typically required to open organizational bank accounts, hire employees and establish payroll or merchant-processing relationships. Apply directly through the IRS; there is no need to pay a third-party service merely to obtain an EIN. Keep the EIN confirmation letter permanently in the corporate records.

2.6 Draft and Adopt Bylaws

Bylaws are the board's operating rules. They should be tailored to the nonprofit corporation statute in the state of incorporation and the organization's intended operating model. A SGO should not begin donor solicitation or scholarship administration with generic two-page bylaws that fail to address board authority, conflicts, committees or fiscal oversight.

Recommended bylaw provisions include:

- Name, purpose and relationship to the articles of incorporation.
- Whether the corporation has voting members; many public charities are structured as nonmember corporations governed by the board.
- Number, qualifications, nomination, election, terms, removal and vacancies for directors.
- Officer positions, election, duties and succession.
- Meeting frequency, notice, quorum, voting, remote participation and written-consent rules consistent with state law.
- Board and committee authority, including Finance/Audit and Scholarship Committees.
- Conflict-of-interest and recusal expectations.
- Indemnification and limitation provisions permitted by state law.
- Fiscal year and records expectations.
- Process for amending bylaws and articles.
- Dissolution cross-reference and dedication of charitable assets.

2.7 Hold the Organizational Meeting

The first formal board meeting should be documented with minutes and resolutions. The board should not simply "approve formation." It should establish the legal and operating foundation for the organization.

- ☐ Accept the filed articles of incorporation and confirm the organization's legal name and state filing number.
- ☐ Adopt the bylaws.
- ☐ Elect officers.
- ☐ Select the fiscal year.
- ☐ Authorize application for an EIN if not already obtained.
- ☐ Authorize preparation and filing of Form 1023 (or 1023-EZ if counsel concludes it is appropriate and the organization is eligible).
- ☐ Adopt a conflict-of-interest policy and require initial disclosures.
- ☐ Adopt initial financial controls and banking resolutions.
- ☐ Authorize opening bank accounts and identify signers.
- ☐ Approve the preliminary operating budget and start-up funding plan.

☐ Approve the operating model and authorize any management-services procurement.

☐ Authorize charitable-solicitation registrations as needed.

☐ Create Finance/Audit and Scholarship Committees or other necessary committees and establish a timetable for doing so.

☐ Approve a records-retention system and designate the corporate records custodian.

☐ Authorize officers to take other actions needed to complete formation and tax-exemption filings.

2.8 Apply for Recognition as a 501(c)(3) Public Charity

Section 25F requires the SGO to be a §501(c)(3) organization exempt under §501(a) and not a private foundation. Therefore, the exemption application must address both exempt status and foundation classification as a public charity. A new SGO should work with counsel or a qualified nonprofit tax professional to determine the appropriate public-charity classification, commonly under §509(a)(1)/§170(b)(1)(A)(vi) or §509(a)(2), depending on the expected support model.

The IRS requires Form 1023 to be filed electronically through Pay.gov. Some organizations are eligible for the streamlined Form 1023-EZ based on certain requirements. An SGO cannot choose the EZ form solely because it is shorter. Given the new §25F requirements, expected scholarship activity, public-support classification and potentially significant first-year receipts, most SGOs will be required to file the full Form 1023 unless qualified counsel advises that the SGO is eligible to file the 1023-EZ.

2.8.1 Prepare the Form 1023 Narrative Carefully

The activity narrative should clearly explain what the organization will do:

- Who will be served.
- How scholarship applicants will be solicited.
- How eligibility will be verified.
- How recipients will be selected.
- How conflicts will be handled.
- How payments will be made.
- How donors will be prevented from earmarking gifts for a particular student.
- How the organization will maintain public-charity status.

The narrative should match the bylaws, budget and scholarship policies; contradictions invite questions and create operational risk later. The Form 1023 generally requires the following documents and responses (although this is not an all inclusive list):

☐ Filed articles of incorporation with compliant purpose and dissolution clauses.

☐ Adopted bylaws.

☐ EIN confirmation.

☐ Detailed scholarship activity narrative.

☐ Current and projected financial information.

☐ Compensation and management-contract disclosures.

☐ Conflict-of-interest policy.

☐ Public-charity classification request and support assumptions.

☐ Copies or descriptions of scholarship eligibility and selection procedures if already adopted.

☐ Explanation of relationships with schools, vendors, donors, founders and related organizations.

2.9 Protect Public-Charity Status

An SGO under §25F is intended to be a publicly supported charity, not a private foundation. Therefore, its funding base needs to reflect broad public support on an ongoing basis, not just at formation. This creates a real risk during start-up: early funding often comes from a small number of large gifts, and that concentration can jeopardize the public-support test if it isn't managed carefully. Unusual grants and the applicable public-support test should be reviewed with a CPA, and the board and finance staff should monitor the organization's public-support profile and complete Schedule A on Form 990 every year. In practice, this means the SGO should build its base through individual giving and payroll deduction, with most contributions coming from individuals claiming the $1,700 tax credit.

2.10 Charitable Solicitation Registration and Other State Filings

Incorporation does not automatically authorize fundraising. Many states require charitable organizations to register before soliciting residents, and periodic financial reports may be required after registration. Online fundraising can create multi-state solicitation exposure. The organization should create a state-registration matrix identifying where it solicits, whether an exemption applies, filing due dates, renewal requirements and required disclosure language for each state.

Other state/local filings may include sales/use tax exemption applications, state income/franchise tax exemption, local business licenses, employer accounts, workers' compensation registration, unemployment insurance accounts, assumed-name filings and foreign qualification if the organization has sufficient activity in another state. Requirements vary materially by jurisdiction.

2.11 Formation File — Permanent Corporate Records

- ☐ Certified/filed articles and amendments.
- ☐ Bylaws and amendments.
- ☐ EIN confirmation.
- ☐ IRS exemption application (Form 1023), attachments and determination letter.
- ☐ State tax-exemption letters.
- ☐ Charitable-solicitation registrations and renewals.
- ☐ Board minutes and resolutions.
- ☐ Conflict disclosures.
- ☐ Contracts and insurance policies.
- ☐ Bank resolutions.
- ☐ State SGO applications, certifications, approvals and annual list evidence.
- ☐ Form 990s.

Governance, Board Development and Operating Structure

3.1 The Board Governs; Management Operates

The board bears ultimate responsibility for mission, strategic planning, legal compliance, financial stewardship, risk, scholarship integrity and executive oversight. The board should not process every application or approve every invoice simply because the organization is new. Instead, it should establish policies, delegate clearly, receive regular reporting and reserve major decisions to itself.

3.2 Fiduciary Duties

Duty	What It Requires in Practice
Duty of Care	Attend meetings, review materials, understand financial reports, ask informed questions, monitor compliance and exercise prudent judgment.
Duty of Loyalty	Place the organization's interests above personal, employer, donor, vendor or school interests; disclose conflicts and recuse when appropriate.
Duty of Obedience	Follow the articles, bylaws, adopted policies, §501(c)(3) restrictions, §25F requirements and applicable state law.

3.3 Board Roles and Committees

At minimum, establish clear responsibility for finance/audit, scholarship administration and governance. A development/communications committee becomes useful once fundraising begins. Committees may include non-board volunteers if permitted by state law and the bylaws, but only the board should exercise powers reserved to directors by law.

- **Finance/Audit Committee:** budget, financial statements, internal controls, bank reconciliations, public school audit/review, insurance and 90% rule monitoring.
- **Scholarship Committee:** policy implementation, objective review, conflicts, recommendations, appeals within policy and annual program evaluation.
- **Governance Committee:** board recruitment, orientation, policy calendar, conflict disclosures, board evaluation and succession.
- **Development/Communications Committee:** donor strategy, ethical fundraising, public messaging, community outreach and impact reporting.
- **Compensation Committee:** oversight of fair and reasonable compensation for all key staff and establishing the rebuttable presumption of reasonableness.

3.4 Core Policies to Adopt Before Launch

Before launching or before an activity begins

- Financial Management and Internal Controls
- Gift Acceptance
- Expense Reimbursement
- Banking and Cash Management
- Scholarship Administration
- Applicant Eligibility and Verification
- Qualified Expense and Payment
- Scholarship Renewal and Priority
- Appeals and Complaints
- Confidentiality and Privacy
- Data Security and Incident Response
- Records Access and Document Disclosure
- Donor Privacy
- Communications/Media
- Contracting and Procurement
- Executive Compensation
- Succession/Business Continuity
- Investment Policy if reserves are invested

3.5 Choose the Operating Structure

A public school focused SGO can operate effectively without building a full staff immediately, but it must assign every critical function to a qualified person, vendor, or outsourced management company and preserve board oversight. The operating model should be approved by the board at the initial meeting and reflected in the budget and Form 1023 narrative. The Board should keep in mind the 90% spending rule when considering how to set up operations.

Model	Advantages	Key Risks/Controls
Direct staff	Strong internal ownership; easier mission integration.	Higher fixed cost; HR/payroll obligations; must maintain segregation of duties.
Contracted management or association management model	Rapid start-up; access to finance, administration, technology and communications expertise.	Vendor concentration and conflicts; contract must define authority, data ownership, service levels, confidentiality, insurance and termination.
MOU with an existing nonprofit or education organization	Can leverage trusted local infrastructure and relationships.	Must preserve SGO board independence; avoid co-mingling; define staff time, cost allocation, records, ownership of donor data and liability.
Hybrid	Small executive staff plus outsourced accounting, scholarship processing or technology.	Requires disciplined vendor management and clear responsibility matrix.

3.6 Management Agreement or MOU - Minimum Terms

- ☐ Scope of services and specific deliverables.
- ☐ Named staff roles and minimum staffing commitments.
- ☐ Authority limits: what the contractor may approve and what remains with the board/officers.
- ☐ Fee methodology and treatment under the 90% scholarship-spending requirement.
- ☐ Separate accounting and bank-control responsibilities.
- ☐ Ownership and portability of CRM, scholarship and applicant data.
- ☐ Confidentiality, student privacy and cybersecurity requirements.
- ☐ Background checks where appropriate.
- ☐ Insurance and indemnification.
- ☐ Service-level expectations and reporting cadence.
- ☐ Record retention and access for auditors/regulators.
- ☐ Termination rights and transition assistance.
- ☐ Business continuity and disaster recovery.

3.7 Board Meeting Cadence

During formation and the first scholarship cycle, monthly board meetings are often appropriate. Once operations stabilize, quarterly meetings may be sufficient if committees meet between board meetings. Every board agenda should include a financial dashboard, scholarship program status, compliance deadlines, fundraising metrics and significant risks.

Becoming and Remaining a Qualified SGO Under Section 25F

4.1 State Participation Is a Gate

Each year, a state or the District of Columbia must elect to participate and submit a list of qualifying SGOs located in the state to the IRS. An organization's federal tax-exempt status does not itself make contributions eligible for the federal credit. For 2027, the IRS has published advance-election information, but the detailed process for state SGO lists and certifications continues to evolve. Public school focused SGOs should identify the state agency or official responsible for the SGO list and begin relationship-building early.

4.2 Build a State SGO Readiness File

Before the state opens its application or certification process, prepare a complete readiness file so the organization can respond quickly. Include:

- ☐ IRS determination letter confirming §501(c)(3) status and public-charity classification.
- ☐ Articles and bylaws.
- ☐ Certificate of good standing.
- ☐ EIN and W-9.
- ☐ Charitable solicitations permit – if applicable
- ☐ Board roster, officer list and conflict disclosures.
- ☐ Scholarship policies demonstrating §25F requirements.
- ☐ Written 90% compliance methodology and budget.
- ☐ Banking/accounting evidence showing separate qualified-contribution accounts.
- ☐ Financial statements and audit/review if available.
- ☐ Insurance certificates.
- ☐ Data privacy/security policies.
- ☐ Scholarship application and eligibility verification materials.
- ☐ Donor receipt and anti-earmarking procedures.
- ☐ Management agreement/MOU if operations are outsourced.
- ☐ Attestations regarding disqualified persons and related-party controls.

4.3 Calendar-Year Listing vs. Fiscal-Year Operations

Section 25F operates through calendar-year state SGO lists, while the organization may use a different fiscal year for accounting and Form 990 purposes. Build a compliance calendar that tracks both. The board should receive confirmation each year that the organization appears on the applicable state list before staff market donations as federal-credit eligible.

4.4 Multi-State Operations Require Extra Controls

A multi-state SGO may face additional rules because qualified contributions must be used for scholarships solely within the state in which the organization is listed. Current IRS notices specifically identify unresolved multi-state allocation questions. Until US Treasury issues additional guidance, an organization operating in multiple states should use state-specific donation coding, restricted accounting, scholarship pools and reporting, and should avoid transferring qualified contributions across state programs.

4.5 Annual SGO Certification Process - Recommended Internal Workflow

1. 90–120 days before expected state deadline: legal/compliance review of current §25F rules and state requirements.
2. Confirm good standing, state charitable-registration status, IRS status and public-charity classification.
3. Complete year-to-date and prior-year 90% scholarship-spending analysis.
4. Confirm minimum student/school reach and document evidence.
5. Review scholarship priority, income verification, anti-earmarking and disqualified-person controls.
6. Board or authorized officer approves certifications and application.
7. Submit state application/listing materials and retain timestamped copies.
8. Verify public posting or written confirmation of listing.
9. Update website and donor materials only after listing is confirmed.
10. Track changes in state/federal guidance throughout the calendar year.

Financial Administration, Banking and Internal Controls

5.1 Financial Stewardship Philosophy

An SGO as a 501(c)(3) organization holds charitable assets for public benefit and must not be organized or operated for the benefit of private interests. Its accounting system must be able to prove where funds came from, whether they were qualified contributions, the state to which they relate, what restrictions apply, which student and qualified expense each scholarship paid, and how administrative costs were calculated. The system should be designed for an audit trail, not merely for producing a year-end tax return.

5.2 Open Bank Accounts in the Organization's Legal Name

After obtaining the EIN and board banking resolution, open accounts only in the legal name of the nonprofit. Do not route start-up donations through an officer's personal account, a sponsoring company's account or a school account. Provide the bank with the EIN letter, filed articles, bylaws or resolutions, signer identification and any required beneficial-ownership/exemption documentation.

Recommended account architecture:

Account	Purpose
Operating account	Payroll, vendors and permitted administrative expenses.
Qualified-contribution scholarship account	One or more accounts used exclusively for qualified §25F contributions, designed to prevent commingling with other amounts.
Other scholarship/restricted account	Non-§25F restricted gifts or other charitable scholarship funds, if accepted.
Reserve account	Board-designated operating reserve, if consistent with the 90% rule and counsel/CPA guidance.

Federal requirement: separate qualified contributions

Section 25F requires an SGO to prevent commingling of qualified contributions with other amounts by maintaining one or more separate accounts exclusively for qualified contributions. Accounting classes alone may not satisfy the statutory language; use actual separate bank or custodial accounts unless future guidance clearly permits another structure.

5.3 Accounting System Configuration

Configure the chart of accounts before fundraising begins. At minimum, distinguish qualified contributions by state, non-qualified donations, other income, interest income, scholarship awards/expense, administrative expense, fundraising expense, payment-processing fees, technology costs, contracted management and reserves. Use classes, funds or dimensions to track state restrictions and scholarship cycles.

5.4 The 90% Scholarship-Spending Rule

Federal law requires the organization to spend not less than 90% of its income on scholarships for eligible students. **IRS Notice 2025-70** states that Treasury and IRS anticipate interpreting "income" to include all income of the organization, including unrelated business income, not just qualified contributions. At the same time, Treasury suggested it might create a "safe harbor" for organizations whose activities are "largely scholarship-granting" whereby "income" would, for purposes of the 90% rule, only refer to qualified contributions. Because start-up costs and timing issues can create practical difficulties, the notice requested comments and future regulations may refine the calculation (and the potential safe harbor). Until then, a public school focused SGO should budget conservatively and model compliance before incurring significant overhead.

Budget implication

A board that raises $1,000,000 in a year but builds a $150,000 administrative structure may create a direct §25F problem if the applicable 90% measurement treats the full $1,000,000 as income. Build the staffing model backward from the statutory spending requirement, not forward from desired infrastructure.

5.5 Internal Controls — Minimum Recommended Design

Control Area	Recommended Practice
Segregation of duties	Separate authorization, custody of assets, recordkeeping, reconciliation and review whenever practical.
Bank access	Individual user credentials, MFA, no shared logins, board-approved signers, prompt removal of former staff.
Electronic payments	Dual approval above a board-set threshold; positive pay/ACH fraud controls where available.
Bank reconciliations	Complete monthly, preferably within 15 days; reviewed by someone independent of transaction entry.
Scholarship payments by the SGO	Require approved award, eligibility verification, expense documentation and payment authorization before disbursement.
Vendor setup	Independent verification of vendor/payment instructions; controls for changes in ACH instructions.
Credit cards	Written limits, receipts, monthly review, no personal use.
Journal entries	Require support and supervisory review for material/manual entries.
Restricted funds	Monthly reconciliation of bank/accounting balances to donor restrictions and scholarship obligations.
Board reporting	Budget-to-actual, scholarship balances, administrative ratio, cash, liabilities and compliance exceptions at every regular meeting.

5.6 Cash Receipts and Donation Posting

1. Identify the donor and contribution date.
2. Determine whether the payment is intended as a §25F qualified contribution or another gift.
3. Confirm the organization is eligible to accept/represent the gift as qualifying for the applicable state and calendar year.
4. Deposit qualified contributions into the proper separate account.
5. Record gross contribution, processor fee and net settlement separately when processor reports support that accounting treatment.
6. Post the gift to the CRM and accounting system using matching donor/date/amount/state identifiers.
7. Issue a donor acknowledgment/credit documentation using approved language.
8. Retain processor settlement, check image or other source documentation.
9. Reconcile CRM donation totals to accounting and bank deposits at least monthly.

5.7 Credit-Card and ACH Processing Fees

The treatment of processor fees is a high-risk communication and accounting area because §25F applies to a "charitable contribution of cash" and detailed federal guidance on payment-processing fees is not yet final. The SGO should distinguish three separate questions: (1) what amount the donor authorizes as a charitable contribution; (2) what amount the payment processor remits after fees; and (3) what amount may be represented as a qualified contribution for the federal credit.

Recommended interim practice pending Treasury guidance:

- Offer low-cost ACH/check options and explain that processing fees reduce funds available for scholarships.
- Pass processing fees along to the donor or offer a "cover the fee" option.
- If the organization offers a "cover the fee" option or passes the fee along to the donor, receipts should show the donation amount and processing-support amount separately rather than obscuring the fee in the scholarship contribution.
- Do not promise that a required or optional processor-fee amount itself qualifies for the §25F credit unless current IRS/Treasury guidance clearly supports that treatment.
- Maintain settlement reports showing gross donor charge, fee withheld and net cash deposited.
- Have the CPA approve the gross-versus-net accounting treatment and have tax counsel approve the amount stated on any §25F donor certification/receipt once Treasury issues final reporting rules.
- Do not "gross up" a donor's tax-credit receipt merely because the SGO chose to absorb the transaction fee.

5.8 Scholarship Disbursement Controls

Scholarship disbursements should never be triggered by an email alone. Use a payment packet or electronic workflow that includes the student ID, eligibility approval, award amount, qualified expense category, invoice/reimbursement support, payee, approval, payment date and confirmation. Payment should generally go to the school or provider when practicable, but the SGO must follow the payment methods ultimately permitted by federal and state guidance. Regardless of payee, maintain student-level documentation.

5.9 Budgeting and Reserves

The annual budget should separately display expected scholarship income, scholarship expense, administrative expense, fundraising expense and start-up/nonrecurring costs. Because the 90% rule may constrain retained operating resources, do not create a reserve policy in isolation from §25F analysis. A reserve may be operationally prudent but still affect the statutory spending calculation depending on final regulations.

5.10 Financial Statements and Board Dashboard

- Statement of financial position/balance sheet.
- Statement of activities with budget comparison.
- Qualified-contribution and scholarship fund roll-forward by state.
- Scholarships awarded vs. paid vs. outstanding.
- Administrative expense ratio and 90% compliance forecast.
- Cash on hand and upcoming scholarship obligations.
- Receivables, payables and restricted balances.
- Any control exception, late filing, suspected fraud or regulatory issue.

CHAPTER 6

Designing the Scholarship Program, Priorities and Award Guidelines

6.1 Adopt a Scholarship Philosophy Before Opening Applications

The board should decide what educational opportunity or opportunities it is trying to create before writing an application. A scholarship program cannot be administered consistently if priorities change applicant by applicant. The scholarship policy should define, among other things, service geography, target student population within legal eligibility, types of qualified expenses, award size methodology, priority rules, application cycle, renewal approach and available funding. **For an SGO working in partnership with one or more school districts, these program design decisions should be informed by district priorities, identified student needs, and the practical realities of implementation.**

The SGO should remain closely aligned with the school district while maintaining the independence necessary to fulfill its legal and fiduciary responsibilities. The SGO Board, not the school district, remains responsible for establishing scholarship policies, administering eligibility requirements, protecting donor intent, ensuring compliance, and exercising appropriate oversight of scholarship awards.

Recommended Practice: District Engagement and Ex-Officio Leadership

Education foundations are most effective when they operate as independent community organizations in close partnership with the school districts they support. Public school-focused SGOs should follow the same model.

As a best practice, the SGO should establish a formal mechanism for district participation in planning and governance. One or more designated district leaders, such as the superintendent or superintendent's designee may serve as nonvoting, ex-officio participants on the SGO Board or in an appropriate advisory capacity, when permitted by state law and the organization's bylaws.

The ex-officio role should provide a consistent connection between the SGO and the school system. District representatives can help the SGO:

- understand district strategic priorities, school improvement plans, and changing student needs;
- identify academic, enrichment, workforce-readiness, and other educational opportunities that could benefit from scholarship support;
- understand student-performance trends and barriers that may prevent students from accessing educational opportunities;
- assess whether proposed scholarship programs can be implemented effectively within schools;
- coordinate communication with principals, educators, students, and families;
- identify opportunities to serve students and schools that may otherwise be overlooked;
- provide appropriate information about participation, program effectiveness, and student outcomes; and
- recommend adjustments to future scholarship priorities as educational needs and district priorities change.

This involvement should be advisory and strategic rather than controlling. Ex-officio district representatives should not independently determine scholarship recipients, direct SGO funds, override eligibility requirements, or exercise authority reserved to the SGO Board. Individual scholarship decisions should continue to follow the SGO's approved policies, objective eligibility requirements, conflict-of-interest procedures, and documented review process.

Build District Input into the Scholarship Planning Cycle

District engagement should not occur only after a scholarship program has already been designed. Before each scholarship cycle, the SGO should provide an opportunity for district leadership to identify emerging needs, discuss potential eligible programs and educational opportunities, review participation from previous scholarship cycles, and share available information about program and student outcomes.

Following each scholarship cycle, the SGO and district should review what was learned: Who participated? Which schools and students were reached? Were scholarships fully utilized? What barriers remained? What educational outcomes or program results are available? Are there new or changing student needs?

That information should help inform the next scholarship cycle and create an ongoing process of continuous improvement:

This approach reflects a fundamental education-foundation principle: the SGO brings philanthropic resources, community relationships, and independent stewardship to the partnership, while the school district brings educational expertise, knowledge of students and schools, and an understanding of academic priorities and outcomes. Working together while respecting their distinct roles allows both organizations to keep scholarship decisions centered on what will create the greatest educational benefit for students.

6.2 Non-Negotiable Federal Priority Rules

Scholarship policies must incorporate the FSTC statutory ordering of priority: first, eligible students who received a scholarship from the organization in the prior school year; next, eligible students who have a sibling who received a scholarship from the organization. After satisfying those priorities, the SGO may apply additional lawful, objective criteria consistent with §25F and state rules. Do not adopt local priorities that override federal or state statutory priorities.

6.3 Possible Additional Board-Approved Priorities

After applying the federal priorities, the SGO may establish additional objective priorities based on documented student needs and gaps in educational opportunity. These might include tutoring, disability-related services, or other qualified educational opportunities identified with district and school leaders. Public school SGO scholarships should be designed to remove barriers and expand access rather than reward students through essays, rankings, or other merit-based competitions.

The SGO and its board may revise these priorities as needs change, provided that changes are formally approved, documented, communicated consistently, and applied in accordance with federal and state requirements.

Scholarship priorities should never permit a donor to designate a particular student or allow a board member, district representative, provider, or other interested party to influence funding for personal or organizational benefit. Potential conflicts such as a director affiliated with a tutoring, afterschool, or other service provider that could receive scholarship payments should be disclosed and addressed through the SGO's conflict-of-interest and recusal procedures.

6.4 Award Amount Methodology

A board should choose a methodology for determining scholarship amounts rather than allowing reviewers to improvise. Examples include documented qualified expense; fixed scholarship tiers; need-based percentage of expense; or capped awards by expense category. The method should consider available funding, expected renewal obligations and the requirement to serve at least 10 students who do not all attend the same school.

6.5 Scholarship Calendar

Phase	Typical Activities
Planning	Confirm state listing, available funds, policies, application dates, reviewers and system configuration.
Outreach	Publish eligibility, qualified expense examples, deadlines, privacy notice and application support.
Application	Receive applications; acknowledge; track completeness; protect PII.
Verification	Verify identity/residency, annual household income, family size, school eligibility and required documentation.
Review	Apply objective criteria; manage conflicts; document scores/recommendations.
Approval	Decide on scholarship recipients via the Board or delegated authority to approve awards within organizational policy.
Award/Acceptance	Notify applicant; obtain acceptance, certifications and payment documentation. Provide documentation showing the scholarship recipient the full amount of the scholarship awards and cost of the programs covered.
Payment	Verify enrollment and expense; authorize and issue payment; retain proof.
Monitoring/Renewal	Track continued eligibility and required statutory priority.
Evaluation	Complete annual report, KPI review and policy improvements.

6.6 Application Requirements

- ☐ Student and parent/guardian identifying information appropriate to age.
- ☐ Current address/residency documentation
- ☐ Household composition and family-size information.
- ☐ Annual household income documentation sufficient for the §25F threshold.
- ☐ Current school and grade/enrollment information.
- ☐ Requested expense and amount.
- ☐ Invoice, estimate, fee schedule or other expense support when available.
- ☐ Prior-year scholarship status and sibling scholarship information.
- ☐ Certifications regarding accuracy, consent to verify and use of funds.
- ☐ Privacy notice and data-use consent.
- ☐ Conflict/relationship disclosures sufficient to screen disqualified persons and related-party issues.

6.7 Income and Family-Size Verification

Verification is an SGO responsibility. Do not rely solely on a checkbox stating that the family is eligible. The organization should adopt an annual verification protocol specifying acceptable documentation, who may review it, how calculations are performed, how ambiguous household situations are handled, how area median gross income is sourced, and how records are protected. Because the statutory test is tied to 300% of area median gross income "as such term is used in §42," the organization should use the specific federal/state methodology identified in forthcoming regulations or guidance rather than creating its own AMI definition.

6.8 Screening for Disqualified Persons

Section 25F prohibits scholarships to disqualified persons using rules similar to §4946. The organization should collect sufficient relationship information to screen applicants against founders, substantial contributors, directors, officers, key employees and related persons or entities once Treasury clarifies the precise adaptation of those rules. When in doubt, escalate to counsel before award.

6.9 Anti-Earmarking Controls

Donors may support the SGO's mission or a broad board-approved scholarship fund, but contributions cannot be earmarked or set aside for a particular student. Donation forms, gift agreements, CRM notes and staff scripts should reinforce this rule. If a donor sends a check memo naming a student, do not simply deposit and treat it as a qualified contribution; contact the donor and correct the restriction or handle the payment outside the §25F program if lawful and appropriate.

6.10 Objective Scholarship Review

Use a standardized rubric. Scholarship application reviewers should receive training, sign confidentiality/conflict statements, and see only information necessary to evaluate the application. Score changes and overrides should be documented. If the board delegates final award approval to a committee or officer, the delegation must be authorized by organization policy and permitted by state law.

6.11 Enrollment and Expense Verification Before Payment

Do not pay a scholarship solely because an award letter was issued. Before each payment, verify current enrollment/attendance as required, confirm the expense is eligible and documented, verify the payee, and confirm that the award has not already been paid by another source in a way that creates duplication or an impermissible benefit. Retain the verification and invoice with the payment record.

6.12 Renewals

Renewal should not be automatic. Each renewal cycle should confirm continuing legal eligibility, annual household income and family size, enrollment, qualified expense, compliance with prior award terms, and availability of funds. Renewal policy must also honor the statutory priority for prior-year recipients.

6.13 Appeals and Administrative Corrections

Create a limited written appeals process for eligibility determination, missing-document disputes, calculation errors or administrative mistakes. Avoid an open-ended process that invites applicants to challenge discretionary scoring simply because they were not selected. Establish filing deadlines, reviewer independence and final-decision authority.

6.14 Records and Retention

Maintain complete scholarship files for each cycle, including application, verification, scoring, conflict recusals, approval, acceptance, invoices, payment proof, correspondence, renewal documentation, appeals and monitoring. Retention periods should be set with counsel and should account for IRS/state examinations, financial audits, statutes of limitation and student privacy.

Donor CRM, Scholarship Application Software and Data Systems

7.1 Do Not Run the Program from Spreadsheets Alone

A spreadsheet may support analysis, but it should not be the primary system for donor identity, applicant PII, household income documents, scholarship approvals and payment status. The SGO should implement systems that create an auditable history of who entered, changed, reviewed and approved information.

7.2 CRM Expectations

- ☐ Unique donor records with duplicate-management tools.
- ☐ Giving history by calendar year and state designation.
- ☐ Ability to distinguish §25F qualified contributions from other gifts.
- ☐ Tax-credit receipt/certification tracking.
- ☐ Acknowledgment and stewardship workflows.
- ☐ Donor communication and recognition preferences.
- ☐ Restriction and gift-agreement fields.
- ☐ Solicitation-source/campaign tracking.
- ☐ Role-based permissions and Multi-Factor Authentication (MFA).
- ☐ Export capability and clear data ownership.
- ☐ Accounting/payment-processor integration or reliable reconciliation workflow.

7.3 Scholarship System Expectations

- ☐ Secure online application and mobile-friendly access.
- ☐ Configurable eligibility logic and required-document checklist.
- ☐ Income/family-size verification workflow.
- ☐ Role-based reviewer access and conflict recusal.
- ☐ Scoring/rubric tools with audit trail.
- ☐ Applicant communication templates.
- ☐ Award and renewal tracking.
- ☐ Student-school-provider linkage.
- ☐ Payment authorization and status fields.
- ☐ Document retention and purge controls.
- ☐ Reporting by school, geography, expense type and scholarship cycle without exposing unnecessary PII.
- ☐ Data export and business-continuity access if vendor relationship ends.

7.4 Integration Architecture

At minimum, define a reconciliation key that links donor CRM, processor, accounting system, scholarship platform and bank records. Ideally, systems integrate through secure APIs; if they do not, establish scheduled reconciliation procedures with documented exception resolution. No system should become the only location where evidence of a qualified contribution or scholarship payment exists.

7.5 Data Security Minimums

- MFA for all administrative users.
- Least-privilege role design; reviewers should not see donor financial information and fundraisers should not see applicant income documents unless needed.
- Encryption in transit and at rest where supported.
- Vendor security due diligence and breach-notification obligations in contracts.
- Annual access review and immediate offboarding.
- Phishing/security training for board, staff and volunteers with system access.
- Documented incident-response procedure and cyber insurance review.

7.6 Data Sharing

A public school-focused SGO should establish written Data Sharing Agreements (DSAs), Memoranda of Understanding (MOUs), or appropriate contractual provisions with participating school districts and, when necessary, educational service providers before exchanging student-level information. At a minimum, these agreements should clearly define what information will be shared, why it is needed, who may access it, how it may be used, how it will be protected, and when it must be returned or destroyed.

Data sharing may be important to effective scholarship administration. Depending on the scholarship program, an SGO may need information to verify student enrollment or participation, determine eligibility, coordinate services, confirm that scholarship-funded programs were provided, evaluate program utilization, and understand educational or program outcomes. Information shared by providers may similarly help the SGO and district determine whether funded opportunities are reaching students and producing the intended results.

All information sharing must comply with applicable federal and state student-privacy laws, including the Family Educational Rights and Privacy Act (FERPA), as applicable, as well as district policies and other applicable privacy and data-security requirements. The SGO and school district should involve appropriate legal counsel and district data/privacy personnel when establishing these arrangements.

Parent or Eligible Student Consent

Personally identifiable information from a student's education records should not be disclosed to the SGO or another provider unless the disclosure is permitted by applicable law. When FERPA or other applicable law requires consent, the district or SGO should obtain appropriate written consent from the parent or eligible student before the information is shared.

Consent procedures may be incorporated into the scholarship, program application, or school district registration forms when appropriate. Consent should clearly identify the information that may be shared, the purpose for sharing it, and the organization or organizations authorized to receive it.

The SGO should not assume that its partnership with a school district automatically authorizes access to student education records. Whether information may be shared without individual consent depends on the purpose of the disclosure and whether the specific requirements of an applicable FERPA exception or other legal authority have been satisfied.

Data Minimization and Appropriate Use

The SGO, district, and participating providers should share only the information reasonably necessary for the identified purpose. Whenever student-level information is not necessary, aggregated or de-identified information should be used.

A written data-sharing agreement should address, as applicable:

- the specific purpose of the data sharing;
- the data elements that may be shared;
- the legal authority or parent/eligible-student consent permitting the disclosure;
- which individuals or organizations may access the information;
- limitations on use and redisclosure;
- data-security and confidentiality requirements;
- procedures for secure transmission and storage;
- breach or unauthorized-disclosure notification requirements;
- record-retention and secure-destruction requirements;
- responsibilities of third-party providers and subcontractors;
- procedures for correcting inaccurate information;
- the duration and termination of the agreement; and
- responsibility for compliance with applicable federal and state privacy requirements.

Providers receiving student information should be prohibited from using that information for unrelated purposes, marketing, independent fundraising, or other activities not authorized by the agreement or applicable law.

Recommended Practice: Build Data Sharing into the Partnership

Data sharing should support, not drive the SGO-district partnership. At the beginning of each scholarship program or funding cycle, the SGO and district should identify what information is actually necessary to administer scholarships and evaluate results and then establish the appropriate legal and operational mechanism for sharing it.

The goal should be to create a responsible information loop:

Appropriate information sharing allows the SGO and district to understand whether scholarship resources are reaching the intended students, identify participation gaps, evaluate program effectiveness, and adjust scholarship priorities as student needs change. At every stage, the organizations should balance the value of information with their responsibility to protect student privacy and maintain the confidentiality and security of student records.

Fundraising and Collecting Federal Tax-Credit Eligible Contributions

8.1 Launch Only When the Organization Can State Eligibility Accurately

An SGO may raise ordinary charitable start-up funds before 2027 if otherwise lawful, but it should not represent those gifts as eligible for the §25F credit unless they satisfy the statutory timing and listing requirements. Ensure clear separation of start-up fundraising from the 2027 qualified-contribution campaign in donor communications, CRM coding and accounting.

8.2 Qualified Contribution Intake Workflow

1. Donor selects or confirms contribution to the SGO.
2. Donation form states that the contribution cannot be designated for a particular student.
3. System captures donor identity and information required by forthcoming IRS/state reporting rules.
4. Payment is made through an approved cash-payment method, such as check, ACH or card, subject to final federal guidance.
5. Qualified contribution is routed to the separate qualified-contribution account.
6. CRM records gift amount, date, state, campaign and qualification status.
7. Accounting records the same transaction and any processor fee separately.
8. Organization issues timely acknowledgment to donor and any required §25F documentation.
9. Monthly reconciliation confirms processor, CRM, bank and general ledger agree.

8.3 Gift Acceptance Policy

The board should adopt a gift acceptance policy before active fundraising The policy should address checks, ACH, credit/debit cards, cash-in-hand, returned payments, chargebacks, donor-advised-fund grants, employer matching gifts, securities and other noncash gifts. Do not assume a noncash gift qualifies for §25F simply because it is deductible under ordinary charitable rules; current §25F language defines a qualified contribution as a charitable contribution of cash made by an individual. Treasury may address this further in forthcoming regulations.

8.4 Donor Receipts and Acknowledgments

The SGO should issue acknowledgments to donors promptly. NAEF recommends within 10 business days and include the organization's legal name, EIN, date and amount of cash contribution, and required goods/services language. §25F-specific reporting may require additional information once Treasury issues regulations. Build receipt templates so they can be updated centrally and version-controlled.

8.5 Refunds, Chargebacks and Failed Payments

Document how refunds and chargebacks affect donor records, qualified-contribution balances, tax-credit reporting and the 90% calculation. Do not leave a donor receipt outstanding for a contribution that was reversed. Create an exception report so finance and development staff resolve failed/returned transactions before year-end tax reporting.

8.6 Year-End Campaign Controls

Because taxpayer credit eligibility is calendar-year based, year-end processing must be precise. Publish cutoffs for mailed checks and online gifts, use processor timestamps consistently, reconcile December transactions promptly and avoid backdating receipts. Do not guarantee that a gift initiated on December 31 is credited to that year if the applicable tax rule or processor evidence does not support it.

Donor Development and Stewardship

9.1 Build Lasting Donor Relationships Beyond the Tax Credit

The federal credit is a powerful donor-acquisition tool, but long-term success depends on trust, stewardship and demonstrated student impact. Donors should understand both the tax-credit opportunity and the educational outcomes their contributions make possible. The board, not only fundraising staff, should participate in donor education and relationship-building.

9.2 Annual Development Plan

- ☐ Scholarship funding goal and administrative-capacity assumptions.
- ☐ Donor segments: first-time tax-credit donors, existing education donors, major donors, businesses/partners and community prospects.
- ☐ Campaign calendar aligned with state listing and scholarship funding needs.
- ☐ Board prospect-development and ambassador expectations.
- ☐ Donor education strategy explaining §25F without tax advice.
- ☐ Stewardship calendar.
- ☐ Retention goal, acquisition goal, average-gift goal and major-donor activity goal.
- ☐ Annual impact report and recognition plan.

9.3 Donor Stewardship

Stewardship begins with accurate processing and gratitude. Follow with program updates, impact stories, aggregate scholarship results, community presentations and renewal reminders. Protect student privacy: do not share identifying stories or images without appropriate consent, and never disclose household income or application information to donors.

9.4 Recommended Development KPIs

KPI	Suggested Target/Use
Total qualified contributions	Board-approved annual goal.
Donor retention	≥70% benchmark; adjust for first-year effects.
New donors	Annual growth target.
Average gift	Monitor by donor segment.
Acknowledgment timeliness	Within 10 business days.
Stewardship contacts	≥3 meaningful contacts per donor annually.
Board participation	100% participate in cultivation, giving or ambassador activity.
Qualified-contribution reconciliation	100% reconciled to bank/accounting/CRM.

CHAPTER 10

Compliance, Risk Management and Organizational Resilience

10.1 Create a Compliance Register

Maintain one master register of recurring obligations with the rule/source, responsible person, due date, reviewer, evidence of completion and escalation process. At minimum include corporate annual report, charitable-solicitation renewals, state SGO application/listing, Form 990-series return, audit/review, insurance renewals, conflict disclosures, board elections and meetings, policy reviews, privacy/security training, maintenance of corporate records and scholarship reporting.

10.2 Annual Risk Assessment

Risk	Example Controls
Loss of SGO eligibility	Annual legal review; state listing verification; 90% monitoring; minimum student/school tracking.
Financial fraud	Segregation, MFA, dual approval, reconciliations, positive pay, independent review.
Scholarship ineligibility	Standardized verification, second review for exceptions, documented qualified-expense matrix.
Donor earmarking	Donation-form restrictions, staff training, exception workflow.
Private benefit/related parties	Conflict policy, disqualified-person screening, board recusal, counsel review.
Data breach	MFA, vendor due diligence, cyber policy, incident response, cyber insurance.
Vendor failure	Data export, service levels, transition provisions, backup access.
Reputation/misleading tax claims	Approved scripts, legal review, correction protocol.
Leadership disruption	Officer/ED succession plan and delegated emergency authority.
Regulatory change	Named compliance owner; monthly guidance monitoring in launch year.

10.3 Insurance

Review general liability, directors and officers liability, employment-practices liability if staff are employed, cyber liability, crime/fidelity coverage, workers' compensation as applicable and any professional liability relevant to contracted services. Insurance does not replace controls; it protects the organization when controls fail or claims arise.

10.4 Business Continuity

- ☐ Emergency access to banking and accounting systems.
- ☐ Backup signers and delegated approval authority.
- ☐ Secure backup/export of CRM and scholarship data.
- ☐ Vendor contact and escalation list.
- ☐ Cyber incident response and breach communication.
- ☐ Plan for temporary loss of executive director/bookkeeper/contract manager.
- ☐ Scholarship payment continuity during disasters.
- ☐ Public and donor communication protocol.

Annual Financial Reporting, IRS Returns, Audit and State Renewals

11.1 Form 990-N, 990-EZ or 990 - Determine the Correct Return

Do not assume a new SGO files Form 990-N. IRS thresholds currently provide that organizations with gross receipts normally $50,000 or less may generally file 990-N; organizations with gross receipts below $200,000 and total assets below $500,000 may generally file Form 990-EZ or Form 990; and organizations at or above either the $200,000 gross-receipts threshold or $500,000 asset threshold generally file Form 990. Because a functioning SGO may quickly exceed the 990-N threshold, the board should budget for professional tax preparation from the beginning.

Critical filing consequence

Failure to satisfy the required annual IRS filing for three consecutive years results in automatic revocation of federal tax-exempt status. Loss of §501(c)(3) status would also undermine §25F SGO eligibility.

11.2 Form 990 Governance and Schedule A

Use the Form 990 preparation process as a governance review, not a clerical exercise. Confirm board composition, independence, compensation, related-party transactions, policies, fundraising activity and public disclosure. Because the SGO must not be a private foundation, public-support status and Schedule A calculations should be monitored carefully.

11.3 Audit or Independent Financial Review

Federal §25F does not by itself create one universal audit threshold in the currently available guidance, although Treasury has indicated it plans to require each SGO to engage a qualified independent third party to conduct an annual financial and programmatic audit, the results of which will be shared with the state. Specific audit/review requirements may come from state charitable-solicitation law, state SGO rules, donor agreements, contracts or board policy. Regardless of the legal threshold, recommend an independent CPA audit for an SGO with significant qualified-contribution volume or material scholarship obligations, and at minimum an annual independent financial review appropriate to size and risk. Treasury's forthcoming guidance may create a more streamlined approach for smaller SGOs.

11.4 State Corporate and Charitable Renewals

Track the secretary-of-state annual report, charitable-solicitation renewal, state tax exemption, foreign registrations and any state SGO certification/listing requirements separately. Filing a Form 990 does not renew the organization's state corporate status or fundraising authority.

11.5 Annual SGO Compliance Package

- ☐ State listing/approval evidence for the calendar year.
- ☐ Student count and school-distribution evidence.
- ☐ 90% scholarship-spending calculation and supporting ledger.
- ☐ Qualified-contribution account reconciliation.
- ☐ Scholarship expense eligibility sample/testing.
- ☐ Income and family-size verification sample/testing.
- ☐ Priority-rule compliance report.
- ☐ Donor anti-earmarking exception report.
- ☐ Disqualified-person/conflict review.
- ☐ Audit/review and management letter.
- ☐ Form 990-series return and Schedule A.
- ☐ Charitable-solicitation renewals.
- ☐ Board policy review and conflict disclosures.
- ☐ Cybersecurity and access review.

CHAPTER 12

Communications, Marketing and Community Engagement

12.1 Communications Philosophy

Every public statement should be accurate, timely, transparent, inclusive, professional, mission-focused and legally compliant. The program is new and politically visible; credibility can be damaged quickly by overstating tax benefits, misstating student eligibility or implying that the organization is government-approved before it appears on the applicable state list.

12.2 Website Minimum Content

- ☐ Legal name and nonprofit status.
- ☐ Mission and service area.
- ☐ Current state SGO listing status with calendar year.
- ☐ Plain-language description of the FSTC with disclaimer that individual tax treatment varies.
- ☐ Scholarship eligibility and required statutory priorities.
- ☐ Qualified expense categories with "subject to federal/state guidance" language.
- ☐ Application dates and process.
- ☐ Donation options and anti-earmarking notice.
- ☐ Board of directors and leadership.
- ☐ Privacy policy and data-security contact.
- ☐ Financial transparency: annual report, Form 990 link or availability statement, audit/review when appropriate.
- ☐ Contact information and complaint/appeal channels.

12.3 Community Outreach

Build relationships with school districts; afterschool and tutoring providers; disability service providers; parent organizations; community foundations; public and private employers; chambers; civic groups and trusted family-serving nonprofits. Outreach should educate partners on student-level eligibility and documentation requirements, not encourage schools to treat SGO funds as unrestricted institutional grants.

12.4 Crisis and Correction Protocol

Designate a spokesperson and a process for correcting inaccurate tax-credit claims, data incidents, scholarship errors or regulatory changes. If guidance changes, update website language, donor forms, staff scripts and training from one controlled source so conflicting versions do not remain in circulation.

The First 100 Days: Public School Focused SGO Launch Plan

The first 100 days should create legal and operational readiness, not force an artificial scholarship launch. IRS determination and state SGO listing may take longer than 100 days. The organization should not accept or market contributions as §25F-qualified until legal requirements are satisfied for the relevant calendar year.

Days 1-15 | Define the Entity and Recruit the Founding Board

- ☐ Approve formation concept, mission, geography and preliminary scholarship model.
- ☐ Select state of incorporation and check name availability.
- ☐ Recruit initial directors with finance, education, legal/compliance, fundraising and technology capacity.
- ☐ Identify registered agent.
- ☐ Retain nonprofit legal counsel and CPA/financial advisor.
- ☐ Draft articles with §501(c)(3) purpose and dissolution clauses.
- ☐ Develop first-year revenue, scholarship and administrative-cost model with the 90% rule in mind.
- ☐ Engage district leadership to identify student needs, district priorities, potential scholarship uses, and roles for ongoing coordination.

Days 16-30 | Incorporate and Establish Governance

- ☐ File articles of incorporation.
- ☐ Obtain EIN.
- ☐ Draft and adopt bylaws.
- ☐ Hold organizational board meeting and elect officers.
- ☐ Adopt conflict-of-interest policy and collect disclosures.
- ☐ Approve fiscal year, initial budget, banking resolutions and start-up funding plan.
- ☐ Select committees and approve policy-development calendar.
- ☐ Decide direct-staff vs. contracted-management model.

Days 31-45 | Build the Federal Exemption and State Compliance File

- ☐ Prepare Form 1023 activity narrative, budget and attachments.
- ☐ Select appropriate public-charity classification with advisor.
- ☐ Submit Form 1023 electronically when complete.
- ☐ Identify state charitable-solicitation registration requirements and file if required.
- ☐ Apply for state tax exemptions/registrations as applicable.
- ☐ Create corporate compliance calendar.
- ☐ Open operating bank account; establish controls for start-up funds.
- ☐ Identify state agency/official responsible for §25F SGO list.

Days 46-60 | Build Finance, Banking and Management Infrastructure

☐ Select accounting software and configure chart of accounts/fund dimensions.

☐ Develop separate-account architecture for future qualified contributions.

☐ Adopt financial-management, gift-acceptance, reimbursement and procurement policies.

☐ Engage bookkeeper/accounting firm and define reconciliation/reporting responsibilities.

☐ Execute management MOU/contract if applicable.

☐ Obtain D&O, general liability, cyber and crime coverage appropriate to risk.

☐ Draft monthly board financial dashboard.

Days 61-75 | Design the Scholarship Program and Technology

☐ Adopt scholarship eligibility, priority, qualified-expense, award, renewal and appeals policies.

☐ Build income/family-size verification protocol.

☐ Create disqualified-person and conflict screening.

☐ Develop scholarship application, rubric and reviewer training.

☐ Select scholarship application platform.

☐ Select CRM and donation processor.

☐ Create data-security and privacy policies; configure MFA and permissions.

☐ Design payment-authorization packet and student-level audit trail.

Days 76-90 | Prepare State SGO Application and Donor Systems

☐ Assemble SGO readiness file and monitor application release/deadlines.

☐ Create donor acknowledgment and anti-earmarking language.

☐ Configure qualified-contribution coding by state and calendar year.

☐ Develop credit-card/ACH fee policy with CPA/counsel review.

☐ Build website content but clearly label status as pending until listed.

☐ Train board and staff on what they may and may not say about the tax credit.

Days 91-100 | Test Before Launch

☐ Conduct end-to-end test donation through processor, CRM, accounting and reconciliation using nonqualified test/start-up funds.

☐ Conduct mock scholarship application, eligibility verification, scoring and payment workflow.

☐ Perform access/security review.

☐ Complete board readiness review against §25F requirements.

☐ Identify unresolved legal/guidance items and assign owners.

☐ Adopt launch communications plan contingent on state listing and federal effective date.

☐ Set first 12-month board calendar and KPI dashboard.

Annual Operating Calendar and Key Performance Indicators

14.1 Recommended Annual Calendar

Quarter	Governance/ Compliance	Scholarships	Development/Communications
Q1	Confirm state listing; conflict disclosures; board orientation; prior-year close.	Open/continue applications; verify eligibility; process awards.	Tax-credit donor stewardship; impact reporting; donor retention.
Q2	Review Form 990/audit; internal-control review; policy updates.	Payments; enrollment/expense verification; exception review.	Corporate/community outreach; donor education.
Q3	Midyear 90% forecast; insurance/risk review; board recruitment.	Renewal planning; outcome tracking; applicant feedback.	Year-end campaign planning; community presentations.
Q4	Budget; state SGO renewal prep; annual compliance assessment; officer elections as applicable.	Next-cycle policy/calendar approval; review renewal commitments.	Year-end campaign; acknowledgments; annual report; next-year development plan.

14.2 Governance KPIs

KPI	Recommended Target
Board attendance	≥75% overall.
Conflict disclosures	100% annually before relevant decisions.
Policy review completion	100% according to annual calendar.
Board financial reporting	Provided at 100% of regular meetings.
Board self-assessment	Annual.
Compliance exceptions overdue	Zero material overdue items.

14.3 Financial KPIs

KPI	Recommended Target
Bank reconciliations	Within 15 days of month-end.
Qualified funds separately tracked	100%.
Scholarship payment documentation	100% complete.
Budget variance	Within ±10% unless explained/approved.
90% compliance	Projected and actual compliance at all required measurement points.
Control deficiencies	Correct within 90 days or sooner based on severity.
Audit/review	Annual as required or board-adopted.

14.4 Scholarship KPIs

KPI	Recommended Target
Minimum federal reach	≥10 students in two or more schools.
Number of schools supported	Total unique schools and communities supported.
Enrollment/expense verification	100% before payment.
Scholarship payment accuracy	100%.
Donor restriction/anti-earmarking compliance	100%.
Appeals resolved within policy timeframe	≥95%.
Renewal processing	≥90% of eligible renewal applicants completed by published timeline.
Application processing time	Board-approved service standard and quarterly trend.
Annual program evaluation	Completed annually.

14.5 Organization-Wide Dashboard

The board should receive a concise dashboard combining governance, finance, scholarship operations, development, communications, compliance and organizational capacity. Management should add a short narrative explaining trends, exceptions and actions needed; dashboards without interpretation can conceal rather than illuminate risk.

Executive Appendices and Quick-Reference Tools

Appendix A - Formation Master Checklist

- ☐ Formation team established.
- ☐ State of incorporation selected.
- ☐ Name cleared.
- ☐ Founding board recruited.
- ☐ Articles filed with compliant purpose/dissolution language.
- ☐ EIN obtained.
- ☐ Bylaws adopted.
- ☐ Officers elected.
- ☐ Conflict policy adopted and disclosures completed.
- ☐ Form 1023 prepared/submitted.
- ☐ Public-charity classification confirmed.
- ☐ Charitable solicitation registration completed where required.
- ☐ Bank accounts opened.
- ☐ Accounting system configured.
- ☐ Insurance bound.
- ☐ Operating/management model approved.
- ☐ Core policies adopted.
- ☐ Scholarship and CRM systems selected.
- ☐ State §25F participation and SGO listing process tracked.

Appendix B - Minimum Board Packet Before First Qualified Contribution

- ☐ Evidence of current state SGO listing.
- ☐ IRS determination letter.
- ☐ Certificate of good standing.
- ☐ Current charitable-solicitation registration.
- ☐ Approved annual budget and 90% forecast.
- ☐ Separate qualified-contribution bank account evidence.
- ☐ Financial policies/internal controls.
- ☐ Gift acceptance and donor acknowledgment templates.
- ☐ Scholarship policy and application.
- ☐ Income/family-size verification procedure.
- ☐ Anti-earmarking procedure.
- ☐ Disqualified-person screening procedure.
- ☐ Scholarship payment workflow.
- ☐ CRM/scholarship system access-control report.
- ☐ Insurance certificates.
- ☐ Compliance calendar.

Appendix C - Suggested Roles and Responsibility Matrix

Activity	Board	Executive/Manager	Finance	Scholarship Staff/ Committee
Adopt policies	A	R	C	C
Approve budget	A	R	C	I
Bank reconciliation	I	C	R	I
90% monitoring	A	R	R	I
Eligibility verification	I	A	I	R
Award recommendations	I	C	I	R
Final awards	A or delegated	R	I	C
Donation processing	I	A	R	I
State SGO application	A	R	C	C
Form 990/audit	A	R	R	I
Donor communications	I	A/R	C	I

Key: R = Responsible; A = Accountable/approving authority; C = Consulted; I = Informed. Adjust to bylaws, state law and staffing model.

Appendix D — Donor Processing Fee Decision Framework

Question	Board/Management Decision
Will the SGO absorb card/ACH fees?	Model effect on administrative cost and 90% rule.
Will donor be invited or required to cover fees?	Show fee support separately and use counsel-approved language.
What amount will CRM record as contribution?	Use processor source records and CPA-approved accounting treatment.
What amount appears on §25F documentation?	Follow Treasury/IRS rules in effect; do not infer before guidance.
Will checks/ACH be promoted?	Recommended to reduce cost and maximize scholarship resources.
How are refunds/chargebacks handled?	Reverse donor/qualified-contribution records and correct any reporting promptly.

Appendix E - Recommended Sources and Authorities

Public school SGOs should monitor these sources for updates and use state-specific counsel for implementation.

Source	Primary Use
Internal Revenue Code §25F	Statutory federal scholarship tax credit and SGO requirements; U.S. Code, Title 26.
IRS Notice 2025-70 / Internal Revenue Bulletin 2025-50	Current IRS/Treasury implementation discussion, SGO requirements, state lists and requested comments.
Revenue Procedure 2026-6	State advance-election process for 2027 and confirmation that future guidance will address submission of state SGO lists.
IRS Federal Scholarship Tax Credit (FSTC) webpage	Current participating-state/advance-election information.
Treasury June 10, 2026 preview of Education Freedom Tax Credit guidance	Treasury expectation for proposed regulations by end of September 2026.
IRS Form 1023 and Instructions	Federal application for recognition of §501(c)(3) exemption and public-charity classification.
IRS Publication 557	Tax-exempt status, organizational test and public-charity requirements.
IRS sample organizing documents / organizational test pages	Purpose and dissolution clauses for §501(c)(3) entities.
IRS charitable solicitation - state requirements	Reminder that many states require registration before solicitation and periodic reporting.
IRS Form 990 series filing-threshold guidance	990-N, 990-EZ and 990 thresholds and annual filing requirements.
IRS Publication 970	Current description of Coverdell qualified elementary and secondary education expenses.
IRS Publication 1771 / charitable contribution substantiation guidance	Donor acknowledgments and quid-pro-quo disclosure rules.
NAEF/NSFA internal toolkit materials supplied for this project	Governance, finance, scholarship operations, donor stewardship, communications, compliance, KPI and operating-calendar practices adapted for public school focused SGOs.

Appendix F - Items That Should Be Rechecked When Treasury Issues Proposed Regulations and Guidance on Eligible Expenses

- ☐ Definition and measurement period for "income" under the 90% rule, including start-up costs and timing.
- ☐ Required donor information, SGO receipts/certifications and IRS reporting.
- ☐ Treatment of credit/debit card and payment-processing fees for qualified-contribution purposes.
- ☐ Detailed definition/application of disqualified-person rules.
- ☐ AMI data source, geography and verification methodology.
- ☐ Multi-state SGO allocation rules and donor state designation.
- ☐ Payment mechanics to schools, districts, providers, parents or reimbursement arrangements.
- ☐ State SGO list submission/certification procedures and deadlines.
- ☐ Record-retention and substantiation expectations specific to §25F.
- ☐ Any transition rules for 2027.

Appendix G - Draft Board Certification of Operational Readiness

Before accepting contributions represented as §25F-qualified, the Board should document that it has reviewed organizational readiness. A suggested certification is:

Board Readiness Certification

The Board has reviewed the organization's federal tax-exempt status, public-charity classification, applicable state SGO listing, scholarship policies, qualified-contribution banking, 90% compliance plan, donor processing controls, applicant verification procedures, data-security controls, financial reporting system and current legal guidance. Based on that review and advice of appropriate professionals, the Board authorizes management to launch the organization's Section 25F qualified-contribution and scholarship program subject to ongoing compliance monitoring.

Appendix H - Sample Bylaws Provisions for a Public School SGO

These provisions are intended to supplement, not replace, a complete set of nonprofit corporate bylaws. State nonprofit corporation law controls many governance details. NAEF can serve as a governance resource for organizations developing or reviewing bylaws, board structure and nonprofit operating practices.

Article I — Name and Offices

The name of the corporation shall be [LEGAL NAME]. The Corporation may maintain offices at such places as the Board of Directors determines and shall continuously maintain a registered office and registered agent as required by the law of its state of incorporation.

Article II — Charitable and Educational Purposes

The Corporation is organized and shall be operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, including expanding educational opportunity by receiving charitable contributions and administering scholarships and other educational assistance permitted by applicable law. The Corporation intends, when qualified and listed by a participating state, to operate as a scholarship granting organization for purposes of Internal Revenue Code Section 25F.

Article III — Limitations

No part of the net earnings of the Corporation shall inure to the benefit of any director, officer or other private person except for reasonable compensation for services and payments furthering the Corporation's exempt purposes. The Corporation shall not participate or intervene in any political campaign on behalf of or in opposition to a candidate for public office and shall observe all limitations applicable to organizations described in Section 501(c)(3).

Article IV — Board of Directors

The affairs of the Corporation shall be governed by a Board of Directors. The Board shall establish policy, protect charitable assets, oversee compliance, approve the annual budget and scholarship program, supervise the chief executive or contracted administrator, and monitor organizational performance. The Board should collectively include expertise in education, finance/accounting, law/compliance, philanthropy, technology/data security and community leadership.

Ex-Officio District Representation. To promote strong alignment between the Corporation's scholarship programs and the educational needs of the students and public school districts it serves, the Superintendent of each participating school district, or the Superintendent's designated representative, may serve as a nonvoting, ex-officio participant of the Board. Ex-officio district representatives may attend and participate in Board meetings, provide information regarding district and school priorities, student needs, academic and school improvement goals, program implementation, and educational outcomes, and advise the Board regarding opportunities to expand student access to qualified educational programs and services.

Ex-officio district representatives shall not vote, shall not be counted for purposes of determining a quorum, and shall not exercise authority over the Corporation's governance, finances, donor funds, eligibility determinations, or individual scholarship awards. The Board of Directors retains sole fiduciary responsibility and governing authority for the Corporation and its scholarship programs. Ex-officio representatives shall comply with the Corporation's confidentiality and conflict-of-interest requirements and shall recuse themselves from discussions when an actual or potential conflict exists.

Article V — Number, Terms and Election

The Board shall consist of not fewer than [5] and not more than [15] voting directors. Directors shall serve [three]-year terms and may serve no more than [two] consecutive full terms unless the Board determines that an exception is in the Corporation's best interests and permitted by state law. Directors shall be elected by the Board at the annual meeting or as otherwise provided by these Bylaws.

Article VI — Officers

The officers shall include a Chair, Vice Chair, Secretary and Treasurer and may include such additional officers as the Board determines. The Chair leads the Board; the Secretary maintains corporate records and minutes; and the Treasurer oversees financial reporting, internal controls, banking, audit/review and compliance with restrictions on scholarship funds.

Article VII — Meetings and Quorum

The Board shall meet at least quarterly. Notice, remote participation, action without meeting, quorum and voting shall comply with state law. Unless a greater requirement is imposed by law or these Bylaws, a majority of directors then in office shall constitute a quorum. Minutes shall document motions, votes, recusals, significant deliberations and approvals.

Article VIII — Committees

The Board may establish standing or ad hoc committees. At minimum, the Board should assign responsibility for finance/audit and scholarship oversight. Committees may recommend action but shall not exercise powers reserved to the full Board by law or these Bylaws.

Article IX — Conflicts and Independence

The Board shall adopt a conflict of interest policy. Such policy shall require directors, officers, scholarship reviewers and key employees to annually disclose actual, potential and perceived conflicts. An interested person shall disclose relevant facts, leave deliberation when requested, and abstain from voting. The minutes shall document the disclosure and recusal.

Article X — Scholarship Administration

Scholarships shall be awarded under written, Board-approved policies that comply with applicable federal and state law. Donors may not earmark qualified contributions for a particular student. The Corporation shall maintain objective eligibility, verification, review, award, payment, renewal, appeal, records-retention and compliance procedures.

Article XI — Financial Administration

The Corporation shall maintain complete books and records, an annual Board-approved budget, appropriate segregation of duties, secure banking, timely reconciliations, restricted-fund accounting and financial reports to the Board. Qualified Section 25F contributions shall be maintained in the account or accounts required by law and state program rules.

Article XII — Indemnification and Insurance

To the fullest extent permitted by state law, the Corporation may indemnify directors and officers acting in good faith within the scope of their duties and may purchase directors and officers, general liability, cyber, crime/fidelity and other insurance appropriate to its operations.

Article XIII — Dissolution

Upon dissolution, assets remaining after payment of liabilities shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3), or to the federal government or a state or local government for a public purpose, consistent with the Corporation's Articles of Incorporation and applicable law.

Article XIV — Amendments

These Bylaws may be amended by the Board in the manner permitted by state law, provided that no amendment may authorize activities inconsistent with Section 501(c)(3), Section 25F when applicable, the Articles of Incorporation or other governing law.

Appendix I — Sample Organizational Resolutions

The founding Board may adapt the following as its organizational meeting resolutions. The Secretary should retain the signed minutes and attachments in the permanent corporate record book.

Ratification of Incorporation

RESOLVED, that the filing of the Articles of Incorporation of [LEGAL NAME] on [DATE] is ratified and approved, and the Secretary is directed to maintain a certified or filed copy in the Corporation's permanent records.

Adoption of Bylaws

RESOLVED, that the Bylaws presented to the meeting are adopted as the Bylaws of the Corporation, effective [DATE].

Election of Officers

RESOLVED, that the following persons are elected to serve until their successors are duly elected: Chair: [NAME]; Vice Chair: [NAME]; Secretary: [NAME]; Treasurer: [NAME].

Federal Tax Exemption

RESOLVED, that the appropriate officers are authorized to prepare, sign and submit Form 1023 and related materials to seek recognition of exemption under Section 501(c)(3) and public-charity classification, and to respond to IRS requests with counsel as appropriate.

EIN and State Registrations

RESOLVED, that the officers are authorized to obtain and maintain the Corporation's EIN, state tax accounts, charitable-solicitation registrations, annual corporate reports and other registrations required for lawful operation.

Banking

RESOLVED, that accounts may be opened at [BANK] in the name of the Corporation; authorized signers shall be [TITLES/NAMES]; electronic banking shall use multifactor authentication; and the Corporation shall maintain separate accounting and, when required, separate bank accounts for qualified Section 25F contributions.

Policies

RESOLVED, that the Conflict of Interest, Gift Acceptance, Financial Controls, Scholarship Administration, Records Retention, Whistleblower, Privacy/Data Security and such other policies presented to the Board are adopted effective [DATE].

Operating Model

RESOLVED, that the Corporation shall operate using [DIRECT STAFF / MANAGEMENT CONTRACT / MOU / HYBRID MODEL], subject to the Board-approved agreement and retention by the Board of all nondelegable fiduciary and scholarship-governance responsibilities.

Fiscal Year and Accounting

RESOLVED, that the fiscal year shall end [MONTH/DAY]; the Corporation shall use accrual accounting unless the Board approves another appropriate method; and management shall provide regular budget-to-actual, cash, restricted-fund and scholarship reports to the Board.

SGO Qualification

RESOLVED, that no contribution shall be represented as eligible for the federal Section 25F credit unless the Corporation is properly listed by the relevant participating state and all other applicable requirements are satisfied. Officers are authorized to prepare and submit state SGO applications/certifications when available.

Insurance

RESOLVED, that management is authorized to obtain insurance appropriate to the Corporation's risks, including directors and officers, general liability, cyber and crime/fidelity coverage as appropriate.

Contracts and Start-Up Expenses

RESOLVED, that the Chair and Treasurer, or such officers as the Board designates, may execute approved start-up contracts within the Board-approved budget, subject to the Financial Controls Policy and conflict-of-interest procedures.

Appendix J - Annual Conflict-of-Interest Disclosure Form

This form is designed to accompany the organization's conflict-of-interest policy. The IRS provides a sample conflict-of-interest policy in the Form 1023 instructions; organizations should tailor their policy to their circumstances.

☐ I have received and reviewed the Conflict of Interest Policy.

☐ I understand my duty to disclose actual, potential and perceived conflicts and to recuse myself when appropriate.

Name: ______________________________ Role: ________________________

Reporting year: ________________________

Please disclose any relationship or interest that could reasonably create a conflict, including relationships with schools, educational providers, scholarship applicants/families, vendors, contractors, financial institutions, donors where relevant, or entities receiving organizational funds.

Disclosure Category	Response / Names / Organization / Relationship
Business or ownership interests	
Compensation or consulting relationships	
Family relationships relevant to SGO decisions	
Employment/governance role with a school or provider	
Relationship with a scholarship applicant or recipient	
Vendor/contractor relationship	
Gifts, favors or benefits that could affect judgment	
Other actual, potential or perceived conflict	

Certification: I certify that the information above is complete to the best of my knowledge. I agree to promptly update this disclosure if circumstances change and to follow the organization's recusal procedures.

Signature: ______________________________ Date: ________________________

Reviewed by: ____________________________ Date: ________________________

Appendix K - Sample Gift Acceptance Policy

Purpose. This policy establishes standards for accepting gifts in a manner that protects donor intent, the charitable mission, Section 501(c)(3) compliance and, where applicable, Section 25F requirements.

K.1 General Standards

- The organization may accept gifts that further its charitable and educational purposes and that can be administered without unreasonable cost, risk or restriction.
- Qualified Section 25F contributions shall be accepted and coded separately from other charitable gifts and shall not be represented as credit-eligible unless all legal conditions are met.
- No donor may direct or earmark a qualified contribution for a particular student.
- The organization will not provide individualized tax or legal advice and will encourage donors to consult their advisers.
- Gifts carrying restrictions inconsistent with law, mission, public policy, financial capacity or scholarship rules will be declined or renegotiated.

K.2 Gifts Generally Accepted

- Cash, checks, ACH and electronic/credit-card contributions.
- Publicly traded securities, subject to prompt-sale procedures approved by the Board.
- Employer matching gifts when compatible with program requirements.
- Other property only after appropriate review.

K.3 Gifts Requiring Review

- Closely held business interests; real estate; cryptocurrency/digital assets; tangible personal property; life insurance; intellectual property; gifts with unusual restrictions; gifts creating ongoing obligations; gifts from potentially controversial or high-risk sources.

K.4 Processing Fees and Gross/Net Recording

Electronic processing fees shall be recorded separately from the donor-authorized gift and the net cash settlement. Until controlling Section 25F guidance is clear, the organization should not promise that a processor fee, convenience fee or optional fee reimbursement is itself eligible for the federal credit. The organization should disclose fee treatment accurately and offer lower-cost payment methods such as ACH or check where practical.

K.5 Gift Acknowledgment

Acknowledgments shall identify the organization, date and amount of cash received (or describe noncash property without assigning donor value), and state whether goods or services were provided. Qualified-contribution communications shall distinguish the federal tax credit from the ordinary charitable-deduction rules and use language approved by counsel/CPA after final guidance.

K.6 Authority

Routine gifts may be accepted by authorized staff. Gifts requiring review shall be approved by the Executive Director/administrator and Treasurer or Finance Committee, with legal or tax review when appropriate. Material or unusual gifts shall be presented to the Board.

Appendix L - Sample Financial Controls Policy

The purpose of this policy is to safeguard charitable assets, ensure reliable records, preserve donor restrictions and support compliance with the 90% scholarship-use requirement and other applicable rules.

L.1 Banking and Custody

- All accounts shall be titled in the legal name of the organization and maintained at insured financial institutions.
- Bank signers shall be approved by the Board at least annually.
- Online banking shall use multifactor authentication; credentials may not be shared.
- Qualified contributions shall be held and tracked separately as required by Section 25F and state procedures.
- Positive pay, ACH controls and transaction alerts should be used when available.

L.2 Segregation of Duties

No one person should initiate, approve, record and reconcile the same transaction. Where staffing is limited, compensating controls shall include Treasurer/Board review of bank statements, reconciliations, disbursement reports and exception reports.

L.3 Receipts

1. Record the gift in the CRM and accounting system using the correct fund, state, calendar year and restriction coding.
2. Deposit or settle funds promptly into the correct account.
3. Reconcile processor settlement reports to CRM and accounting records.
4. Issue acknowledgment and any program-specific documentation.
5. Investigate chargebacks, refunds and unidentified receipts promptly.

L.4 Disbursements

- Every payment requires supporting documentation, accounting coding and evidence of approval.
- Scholarship payments require an approved award authorization and required enrollment/expense verification before release.
- Payments above $[THRESHOLD] require two approvals; payments to related parties require conflict review and Board/committee approval as applicable.
- Blank checks and pre-signed checks are prohibited.
- Electronic vendor changes require independent verification using known contact information.

L.5 Reconciliation and Reporting

- Bank and processor accounts shall be reconciled monthly, preferably within 15 days of month-end.
- A reviewer independent of preparation shall document review of reconciliations.
- The Board shall receive budget-to-actual statements, balance sheet, cash/restricted-fund report, scholarship commitments/disbursements and administrative-expense/90% monitoring at each regular meeting.
- Material variances and control deficiencies shall be documented with corrective action.

L.6 Credit Cards and Expenses

Organization cards, if used, shall have documented limits, prohibited categories, receipt requirements and monthly independent review. Personal expenses are prohibited. Reimbursements require timely documentation and approval by someone other than the payee.

L.7 Vendor and Contract Controls

Material vendors should be selected using documented due diligence. Contracts shall define scope, fees, data ownership, security, insurance, confidentiality, termination, records access and compliance obligations. Related-party contracts require conflict procedures and documentation that terms are fair and reasonable.

L.8 Fraud and Reporting

Suspected theft, diversion, falsification or misuse of scholarship funds shall be reported immediately to the Board Chair/Treasurer and handled under the whistleblower, incident-response and legal-reporting procedures. Records shall be preserved.

Appendix M - Sample Public School SGO Scholarship Administration Policy

Purpose. The organization will administer scholarships fairly, consistently, objectively and in compliance with Section 25F, applicable state rules, Section 501(c)(3), donor restrictions and Board-approved priorities.

M.1 Minimum Program Standards

- Maintain qualification/listing with each participating state in which the organization represents contributions as credit-eligible.
- Award scholarships to the minimum number of students and schools required by applicable federal law and satisfy all other SGO qualification requirements.
- Use at least the legally required percentage of organizational income for scholarships, applying the controlling definition and measurement period.
- Apply required statutory priority rules and document how they were operationalized.
- Prohibit donor earmarking for a specific student and screen for disqualified-person issues.
- Award only for qualified educational expenses and eligible students as defined by controlling law/ guidance.

M.2 Annual Program Design

Before opening applications, the Board shall approve the award cycle, available funding, geographic/ service area, lawful priorities, award methodology, application requirements, verification standards, review rubric, appeal process, payment process and renewal rules. Program design may not create impermissible private benefit or contradict statutory priorities.

M.3 Application and Verification

- Publish eligibility, priorities, deadlines, documentation and permissible uses in plain language and commonly used languages in the community
- Assign each application a unique ID and restrict access to applicant PII.
- Check completeness and obtain missing information under a consistently applied deadline.
- Verify student identity, household information, family size, income/AMI eligibility and any other required criteria.
- Screen for disqualified persons, conflicts and prohibited donor designation.
- Document verification before substantive selection review.

M.4 Selection and Approval

Reviewers shall use a Board-approved rubric and sign confidentiality/conflict certifications. Conflicted reviewers shall recuse. Staff shall preserve scoring and recommendation records. Final awards shall be approved by the Board or a properly delegated body consistent with state law and bylaws.

M.5 Award and Payment

1. Issue written award notice stating amount, approved purpose(s), conditions, expiration and documentation requirements.
2. Obtain acceptance and required certifications.
3. Verify enrollment and the qualified expense before payment.
4. Pay the school, district, provider or other permitted recipient using the method authorized by law and policy.
5. Record the disbursement in the scholarship system and accounting ledger and retain supporting documentation.

M.6 Renewals, Appeals and Recovery

Renewal is not automatic. Continued eligibility, enrollment and compliance shall be reverified. Appeals should address eligibility, documentation or administrative error and should not become an unrestricted second review of discretionary scoring unless the policy expressly allows it. Improper or unused funds shall be recovered when required and feasible, with counsel consulted for material matters.

M.7 Confidentiality and Retention

Applicant and family information shall be accessible only to authorized persons. The organization shall maintain a retention schedule covering applications, verification records, scoring, conflicts, awards, payment support, appeals, monitoring and reports, and shall securely destroy records when the retention period ends.

Appendix N - Income and Household Verification Checklist

Use this checklist as an administrative control. The final methodology must follow the federal definition, Treasury/IRS guidance and the participating state's process in effect for the award year.

- ☐ Applicant/student identity verified.
- ☐ Parent/guardian identity verified when applicable.
- ☐ Household members/family size documented under the controlling definition.
- ☐ Residential address/geographic area used for AMI determination verified.
- ☐ Applicable AMI table/data source and year documented.
- ☐ Required income period identified.
- ☐ Income documentation received for all required household members.
- ☐ Income calculated consistently with the controlling rule.
- ☐ Income compared with the applicable percentage of AMI.
- ☐ Required statutory priority status evaluated and documented.
- ☐ Any categorical or alternative verification permitted by law documented.
- ☐ Discrepancies resolved and notes retained.
- ☐ Reviewer completed verification checklist and signed/dated.
- ☐ Second-level review completed for exceptions or borderline cases.

N.1 Possible Documentation Sources — Use Only as Permitted

- Federal tax return or transcript; W-2/1099 records; recent pay statements; benefit statements; unemployment documentation; employer verification; self-employment records; court-ordered support documentation; other records specifically permitted by program rules.

Applicant ID: ________________ Household size: _____ Verified income: $__________ Applicable AMI: $__________ Percentage of AMI: ______%

Verified by: ___________________________ Date: _________

Secondary review (if required): __________________________

Appendix O - Scholarship Award Authorization Form

Applicant ID: ___________________________ Award Cycle: ___________________________

Student Name: ___________________________ School/Provider: _______________________

Award Amount: $_________________________ Approved Expense/Purpose: _______________

Control	Status / Notes
Eligibility verified	☐ Yes ☐ No
Household income/family size verified	☐ Yes ☐ No ☐ N/A
Required priority applied	☐ Yes ☐ N/A
School/provider eligibility verified	☐ Yes ☐ No
Disqualified-person screening completed	☐ Yes ☐ No
Donor-earmarking check completed	☐ Yes ☐ No
Conflict disclosures/recusals documented	☐ Yes ☐ N/A
Review rubric/scoring complete	☐ Yes ☐ No
Enrollment verified before payment	☐ Yes ☐ Pending
Qualified expense documentation verified	☐ Yes ☐ Pending
Funds available in correct scholarship account/fund	☐ Yes ☐ No

Scholarship Committee recommendation: ☐ Approve ☐ Deny ☐ Conditional

Conditions/notes: ____

Committee Chair/Reviewer: _______________________ Date: _________

Final approving authority: _______________________ Date: _________

Payment authorization: Payee _____________________ Amount $_________ Date authorized _________

Payment reference/confirmation: ____

Appendix P - Sample Donor Acknowledgment Language

The IRS requires specific information in contemporaneous written acknowledgments for contributions of $250 or more and separate disclosure for certain quid pro quo payments over $75. Section 25F may impose additional documentation/reporting requirements. These samples should therefore be updated when final federal and state procedures are issued.

P.1 Standard Charitable Gift - No Goods or Services

[DATE]

[DONOR NAME]

Dear [DONOR NAME]:

Thank you for your contribution of $[AMOUNT], received by [ORGANIZATION] on [DATE]. [ORGANIZATION] is recognized as exempt from federal income tax under Section 501(c)(3). No goods or services were provided in exchange for this contribution. Please retain this acknowledgment with your tax records.

We appreciate your investment in educational opportunity.

Sincerely,

[NAME/TITLE]

P.2 Qualified Section 25F Contribution - Interim Template

[DATE]

[DONOR NAME]

Thank you for your contribution of $[AMOUNT], received on [DATE] and recorded by [ORGANIZATION] as a contribution intended for its Section 25F scholarship program for [STATE/CALENDAR YEAR]. No goods or services were provided in exchange for this contribution.

Federal tax-credit eligibility depends on the requirements of Internal Revenue Code Section 25F, the donor's tax circumstances, the participating state's designation/listing process, and applicable Treasury/IRS guidance. This acknowledgment is not tax advice and should not be interpreted as a guarantee of a particular tax result. Please consult your tax adviser. [INSERT ANY REQUIRED STATE/IRS IDENTIFIER OR CERTIFICATION LANGUAGE ONCE PRESCRIBED.]

Thank you for supporting educational opportunity.

P.3 Quid Pro Quo Acknowledgment

Thank you for your payment of $[AMOUNT]. In connection with this payment, [ORGANIZATION] provided goods or services with a good-faith estimated fair market value of $[VALUE]. The amount potentially deductible as a charitable contribution for federal income-tax purposes is generally limited to the excess of the payment over the value of goods or services provided, subject to applicable law. Consult your tax adviser.

P.4 Noncash Gift Acknowledgment

Thank you for your contribution of [DESCRIPTION OF PROPERTY], received on [DATE]. No goods or services were provided in exchange for this contribution. [ORGANIZATION] does not assign a value to donated property; donors are responsible for substantiation and valuation requirements applicable to their tax return.

Appendix Q - Annual Public School Focused SGO Compliance Certification

This certification is designed for annual Board review and may also support state renewal/application materials. It does not replace a state-prescribed certification.

Organization: ______________________________ Fiscal Year/Calendar Year: _______________

- ☐ 501(c)(3) recognition remains in effect and public-charity classification has been reviewed.
- ☐ Corporate good standing and required annual state corporate filings are current.
- ☐ Charitable-solicitation registrations/renewals are current where required.
- ☐ The organization is listed/approved as an SGO by each participating state in which it represents contributions as Section 25F-qualified.
- ☐ Qualified contributions were separately identified and maintained in the required account(s).
- ☐ The organization monitored and satisfied the applicable scholarship-spending percentage requirement using the controlling definition and measurement period.
- ☐ Scholarships were awarded to at least the number of students and schools required by federal law.
- ☐ Eligibility, income/family-size and required priority rules were applied and documented.
- ☐ No qualified contribution was knowingly earmarked for a specific student.
- ☐ Disqualified-person screening and conflict procedures were completed.
- ☐ Scholarship payments were supported by enrollment and qualified-expense documentation.
- ☐ Bank/processor accounts were reconciled and restricted funds reconciled to the general ledger.
- ☐ The Board received regular financial and scholarship reports.
- ☐ Required Form 990-series return/notice and applicable schedules were timely filed or extended.
- ☐ Required audit, review or compilation was completed if applicable.
- ☐ Insurance was reviewed and remains appropriate.
- ☐ Cybersecurity/privacy controls and access lists were reviewed.
- ☐ Material complaints, fraud allegations, data incidents, compliance exceptions and corrective actions were reported to the Board.
- ☐ Gift acceptance, financial controls, scholarship, conflict, records, privacy and whistleblower policies were reviewed.
- ☐ Required state SGO reports/renewals/applications were filed or scheduled.
- ☐ The annual KPI dashboard and program evaluation were reviewed by the Board.

Known exceptions/corrective actions: ____

Executive Director/Administrator: ______________________ Date: _________

Treasurer/Finance Chair: ____________________________ Date: _________

Board Chair: ______________________________________ Date: _________

Board approval recorded in minutes dated: ____________________________

Appendix R - Sample Management Services Agreement / MOU Framework

A public school SGO may contract with an association-management company, education foundation, community foundation, nonprofit service organization or other administrator. The Board remains responsible for fiduciary oversight and should not delegate duties that state law, the bylaws or Section 25F require the SGO itself to perform.

R.1 Parties and Purpose

This [Management Services Agreement/Memorandum of Understanding] is between [SGO LEGAL NAME] ("SGO") and [MANAGER LEGAL NAME] ("Manager") effective [DATE]. The purpose is to provide administrative and operational services supporting the SGO's charitable scholarship program while preserving the SGO Board's independent governance and control of charitable assets.

R.2 Scope of Services

- ☐ Board administration, agendas, minutes and compliance calendar.
- ☐ Bookkeeping/accounting support, contribution posting, reconciliations and financial reporting.
- ☐ CRM administration and donor acknowledgment/stewardship support.
- ☐ Scholarship-platform administration, application intake and document collection.
- ☐ Eligibility-verification support under Board-approved procedures.
- ☐ School/provider communications and payment processing after authorized award approval.
- ☐ Website, communications and community outreach.
- ☐ State registrations, SGO renewal/application support and Form 990/audit coordination.
- ☐ Vendor management, cybersecurity administration and records retention.

R.3 Reserved Powers of the SGO Board

- Adopt/amend bylaws and policies.
- Elect/remove directors and officers.
- Approve budget and material contracts.
- Approve scholarship priorities, eligibility rules, award methodology and delegated authority.
- Control bank accounts and charitable assets.
- Approve executive/management compensation and related-party arrangements.
- Approve audit/review and Form 990 filing.
- Determine responses to material compliance violations, litigation or regulatory inquiries.
- Terminate the management relationship.

R.4 Compensation and Expenses

The SGO shall pay Manager $[FEE/METHOD] for the services described. The agreement shall distinguish management fees, pass-through vendor costs and reimbursable expenses. Compensation must be reasonable, approved under conflict procedures where applicable, and structured so the SGO can comply with the scholarship-spending requirement and other limits.

R.5 Financial Controls and Banking

SGO funds shall remain assets of the SGO. Manager shall not commingle SGO assets with its own funds. Bank access, approval limits, reconciliation, scholarship disbursement and fraud controls shall follow the SGO Financial Controls Policy. Manager shall provide records and reconciliations on the schedule established by the Board.

R.6 Data, Confidentiality and Security

All donor, applicant, student, scholarship and financial data created for the SGO shall be owned or controlled by the SGO as specified in the agreement. Manager shall use role-based access, multifactor authentication, encryption where appropriate, secure backups, incident notification, confidentiality agreements and documented return/export/deletion procedures at termination.

R.7 Compliance

Manager shall perform delegated services consistent with Section 501(c)(3), Section 25F, participating-state requirements, Board policies and written procedures. Manager shall promptly report suspected noncompliance, fraud, conflicts, data incidents, donor-earmarking attempts, eligibility exceptions and material control failures to designated SGO officers.

R.8 Insurance and Indemnification

Each party shall maintain insurance appropriate to its responsibilities. The agreement should address general liability, professional/errors and omissions, cyber, crime/fidelity, workers' compensation and D&O coverage as appropriate, together with indemnification provisions reviewed by counsel.

R.9 Records, Audit and Regulatory Access

Manager shall maintain complete supporting records and provide the SGO, its auditor/CPA, counsel and authorized regulators reasonable access. Records shall be retained according to the SGO retention schedule and applicable law.

R.10 Term, Termination and Transition

Initial term: [TERM]. Either party may terminate for convenience on [NOTICE] days' written notice and immediately or on shorter notice for specified cause. The agreement shall require orderly transfer of data, passwords, domains, bank/processor access, files, vendor relationships, pending applications, scholarship obligations and compliance calendars. Manager shall not withhold SGO records because of a fee dispute except as expressly permitted by law.

R.11 Performance Standards

Area	Suggested Service Standard
Donor posting	Within 2 business days of settlement
Acknowledgments	Within 10 business days; faster during year-end campaigns
Bank reconciliation	Within 15 days after month-end
Board financial packet	At least 5 business days before regular meeting
Application inquiries	Response within 2 business days
Eligibility exceptions	Escalated before award approval
Data/security incident	Immediate escalation under incident plan
Compliance deadline	Tracked at least 60/30/15 days in advance

R.12 Signatures

SCHOLARSHIP GRANTING ORGANIZATION

By: ______________________________ Title: ________________ Date: _________

MANAGER

By: ______________________________ Title: ________________ Date: _________

Appendix S - Template Adoption and Annual Review Log

Document	Adopted	Last Reviewed	Next Review	Responsible Body
Bylaws				Board/Governance
Conflict of Interest Policy/Form				Board/Governance
Gift Acceptance Policy				Board/Development
Financial Controls Policy				Board/Finance
Scholarship Administration Policy				Board/Scholarship
Income Verification Procedure				Scholarship/Compliance
Award Authorization Form				Scholarship/Finance
Donor Acknowledgment Templates				Development/CPA/Counsel
Annual Compliance Certification				Board
Management Agreement/MOU				Board

At least annually—and whenever federal or state SGO rules change—the organization should review these templates, document amendments and retrain affected directors, staff, volunteers and contractors.

Public School Scholarship Granting Organization Toolkit

AASA THE SCHOOL SUPERINTENDENTS ASSOCIATION

National Association of Education Foundations