13GEM SPORTING

Scholarship Income Definition & Calculation Policy

Policy Number: SOP-004
Effective Date: 9/11/2026
Approved By: Jacob Echevarria
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1. Purpose

The purpose of this policy is to establish the official method used by **13GEM Sporting** to define, calculate, and evaluate household income for the **13GEM Sporting Scholarship Opportunity Program**.

This policy is intended to ensure that household income is evaluated:

- Consistently;
- Fairly;
- Objectively;
- Using reasonable and understandable calculation methods;
- Without requiring unnecessarily invasive financial information; and
- In a manner that reasonably reflects the financial resources currently available to the applicant household.

Household income determined under this policy is used together with household size to calculate the family's percentage of the applicable Federal Poverty Level (FPL).

The resulting FPL percentage determines the family's scholarship percentage under:

SOP-003 — Scholarship Sliding Scale & FPL Eligibility Chart.

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2. General Definition of Household Income

For purposes of the Scholarship Opportunity Program, **household income** generally means the combined countable income of the parent(s) or legal guardian(s) included in the scholarship household, together with other countable income specifically required by this policy.

Household income is intended to represent the family's **reasonably available annual financial resources**.

Unless otherwise provided by this policy, income is generally considered on a **gross basis before personal taxes and ordinary payroll deductions**.

Self-employment income is treated differently because legitimate business expenses must first be deducted in determining income generated by the business.

Household size is determined separately under:

SOP-002 — Household Size & Child Support Income Policy.

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3. Income Is Not the Same as Taxable Income

13GEM Sporting's definition of scholarship household income is an **internal program eligibility definition**.

It is not intended to exactly duplicate:

- Federal taxable income;
- Adjusted gross income;
- State tax definitions;
- Public-benefit program income definitions; or
- Any other governmental income calculation.

An item may therefore be included or excluded from scholarship household income regardless of how that item is treated for tax purposes.

The purpose of this policy is to determine scholarship eligibility consistently and reasonably—not to calculate a family's tax liability.

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4. Employment Income

Employment income generally includes compensation received or reasonably expected from employment, including:

- Wages;
- Salaries;
- Hourly earnings;
- Tips;
- Commissions;
- Overtime;
- Bonuses;
- Shift differentials; and
- Other regular employment compensation.

Employment income is generally evaluated **before income taxes, Social Security taxes, retirement contributions, health-insurance deductions, or other voluntary or mandatory payroll deductions**.

Example

If a parent earns:

$2,500 gross per month

the annualized employment income is:

$2,500 × 12 = **$30,000 annual income**

The calculation is based upon the $2,500 gross amount rather than the employee's lower take-home pay after payroll deductions.

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5. Income From Multiple Jobs

When a household member has more than one source of employment income, countable income from each job will generally be combined.

Example

If a parent earns:

- $30,000 annually from a primary job; and
- $8,000 annually from a second job,

countable employment income is generally:

$30,000 + $8,000 = **$38,000**

Income from temporary, seasonal, or secondary employment should be included when it is reasonably expected to continue or forms a meaningful part of the household's annual income.

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6. Self-Employment and Business Income

For a parent or legal guardian who is self-employed or operates a business, 13GEM Sporting will generally consider **net self-employment income** rather than total business revenue.

Net self-employment income is generally calculated as:

Gross Business Revenue − Reasonable and Necessary Business Expenses = Net Self-Employment Income

Reasonable business expenses may include legitimate expenses necessary to generate business income.

Personal household expenses may not be deducted merely because they were paid through a business account or claimed as business-related.

The purpose of the calculation is to reasonably identify the income generated by the business that is available to support the household.

13GEM Sporting does not require an applicant to provide unrestricted access to the family's complete business or financial records when narrower documentation is sufficient to establish reasonable net self-employment income.

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7. Irregular, Variable, Seasonal, or Fluctuating Income

13GEM Sporting recognizes that some families do not receive the same amount of income every pay period.

Examples may include:

- Hourly workers with changing schedules;
- Commission-based employees;
- Seasonal employees;
- Substitute workers;
- Contract workers;
- Gig workers;
- Self-employed individuals;
- Employees receiving irregular overtime; and
- Workers whose income varies significantly from month to month.

In such cases, income should not be determined solely from an unusually high or unusually low pay period when that period does not reasonably represent the household's normal financial circumstances.

13GEM Sporting may use a **reasonable representative period** and annualize the income.

The representative period should be long enough to reasonably reflect the applicant's income pattern while avoiding unnecessary documentation.

When available, year-to-date earnings may also be considered when they provide a more accurate picture of expected annual income.

The goal is to determine a reasonable annual income—not to artificially increase or decrease eligibility because of a temporary fluctuation.

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8. Annualizing Income

When income must be annualized, 13GEM Sporting may convert current periodic income into an estimated annual amount.

Common calculations include:

Weekly Income

Weekly Income × 52 = Annualized Income

Every Two Weeks

Biweekly Income × 26 = Annualized Income

Twice Per Month

Semi-Monthly Income × 24 = Annualized Income

Monthly Income

Monthly Income × 12 = Annualized Income

The Scholarship Committee may use another reasonable method when the applicant's income pattern does not fit one of these standard calculations.

The calculation method should be documented sufficiently to allow the scholarship determination to be reviewed and reproduced.

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9. Overtime, Bonuses, and Commissions

Overtime, bonuses, commissions, and similar compensation should be included when they are:

- Regular;
- Recurring;
- Reasonably predictable; or
- A meaningful part of the household member's expected annual income.

A single unusual payment should not automatically be multiplied or projected throughout the year if doing so would produce an unrealistic annual income estimate.

When compensation varies, the Scholarship Committee should use a reasonable averaging or annualization method that best represents expected annual earnings.

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10. Child Support Received

Consistent with **SOP-002 — Household Size & Child Support Income Policy**:

Child support actually received by the applicant household counts as household income.

Only child support actually received by the applicant household is included.

The entire income of the non-custodial parent is **not included** merely because that parent provides child support.

Example

A parent earns:

$45,000 annually

and actually receives:

$18,000 annually in child support

Countable household income is:

$45,000 + $18,000 = **$63,000**

The non-custodial parent's remaining income is not included.

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11. Child Support Paid by the Applicant

Child support paid by a member of the applicant household is **not deducted from household income**.

For example, if an applicant earns $60,000 and pays $12,000 annually in child support for a child residing primarily in another household:

Scholarship household income remains **$60,000**.

The $12,000 child-support payment does not reduce countable household income to $48,000.

This rule ensures consistent treatment of income among applicants.

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12. Changes or Loss of Child Support

When child support that had previously been received unexpectedly stops or is substantially reduced, the change may affect the family's current financial circumstances.

For a normal standard scholarship review, child support income should be based upon the amount the household is **actually receiving or reasonably expects to receive**.

A significant unexpected termination or reduction of previously received child support may also qualify for consideration under the separate **13GEM Sporting Hardship Scholarship Policy**.

13GEM Sporting may request reasonable documentation sufficient to verify the current amount of child support actually being received.

Detailed court records or unrelated family-law documents should not be requested when a less intrusive document can reasonably establish the relevant information.

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13. Other Countable Income

Other recurring income reasonably available to support the household may generally be included in household income.

Depending upon the circumstances, countable income may include:

- Unemployment compensation;
- Workers' compensation or wage-replacement payments;
- Social Security retirement benefits;
- Social Security disability benefits;
- Pension income;
- Retirement distributions regularly used for household support;
- Alimony or spousal support actually received;
- Regular rental income after reasonable property-related expenses;
- Interest income;
- Dividend income; and
- Other recurring cash income reasonably available to the household.

The Scholarship Committee should focus on **meaningful recurring income** rather than attempting to identify every minor or incidental amount received by the household.

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14. Income Generally Excluded

The following are generally **not treated as household income** for purposes of the 13GEM Sporting Scholarship Opportunity Program:

- SNAP or food assistance benefits;
- WIC benefits;
- Medicaid or similar medical benefits;
- Housing subsidies or housing assistance;
- School meal benefits;
- Non-cash public assistance;
- Tax refunds;
- Tax credits received through a tax refund;
- One-time emergency relief payments;

- Disaster assistance;
- Scholarships or educational grants received for education;
- Loans;
- Money borrowed from another person or financial institution;
- Reimbursement of expenses;
- Transfers between the family's own accounts;
- Sale of personal property when the payment primarily represents conversion of an existing asset rather than income;
- Occasional gifts from friends or relatives; and
- Other isolated or nonrecurring amounts that do not reasonably represent the family's normal household income.

The Scholarship Committee may evaluate an unusual payment when necessary to determine whether it is genuinely income or merely a one-time transfer, reimbursement, loan, gift, or asset conversion.

The purpose is to identify **actual household income**, not every movement of money into a family's possession.

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15. Regular Financial Support From Others

Occasional gifts from relatives or friends are generally not counted as household income.

However, **regular and ongoing cash support** provided by another person may be considered when it effectively functions as a recurring source of household income.

For example, an occasional birthday gift from a grandparent would not ordinarily be considered income.

By contrast, if another person provides a household with a fixed cash payment every month for general living expenses, that recurring support may be considered when it represents a meaningful and dependable source of household resources.

13GEM Sporting should not routinely investigate informal family assistance unless the information is material to determining scholarship eligibility.

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16. Income of Extended Family Members

Income belonging to an extended family member is not included merely because that person resides in the same home.

For example, the income of a:

- Grandparent;

- Adult sibling;
- Adult child;
- Aunt;
- Uncle;
- Cousin;
- Roommate; or
- Other person outside the scholarship household

is generally excluded when that person is not part of the household as defined under **SOP-002**.

The fact that several people share a residence does not automatically combine their income for scholarship purposes.

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17. Married Parents and Two-Parent Households

When two parents or legal guardians are included in the scholarship household, countable income from both individuals will generally be included.

This applies regardless of whether:

- One person earns substantially more than the other;
- One parent works part time;
- One parent is self-employed;
- The parents maintain separate bank accounts; or
- The parents individually pay different household expenses.

Scholarship eligibility is based on the financial resources of the **scholarship household as a whole**, rather than solely on the income of the person completing the application.

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18. Divorced or Separated Parents

For divorced or separated parents, household income will generally be determined according to the household in which the child is counted under **SOP-002**.

The entire income of the parent residing outside the scholarship household will not be included.

However:

Child support actually received from that parent is included as household income.

For substantially equal or 50/50 physical custody arrangements, the household and income rules established in SOP-002 will control.

13GEM Sporting may request reasonable clarification when necessary to prevent inconsistent or duplicate scholarship household claims.

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19. Current Income Versus Prior-Year Income

13GEM Sporting seeks to evaluate income that **reasonably represents the household's current financial circumstances**.

A prior-year tax return or prior-year earnings record may be useful when it reasonably represents current income, but prior-year income will not automatically control when the family's circumstances have materially changed.

Examples may include:

- A new job;
- Loss of a job;
- Substantial change in work hours;
- Change from employment to self-employment;
- Major reduction or increase in recurring income;
- Significant change in child support actually received; or
- Other material change affecting current household income.

When prior-year information no longer reasonably represents the household's circumstances, 13GEM Sporting may use more current information and an appropriate annualization method.

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20. Normal Income Changes During an Approved Scholarship Period

A standard scholarship is generally approved for **12 months from the family's approval date**.

Ordinary income fluctuations during the approved period do not normally require the scholarship percentage to be recalculated.

Examples include:

- A routine raise;
- Normal changes in scheduled work hours;
- Ordinary overtime fluctuations;
- A modest bonus;

- Temporary seasonal changes; or
- Other routine income changes.

These changes will generally be addressed during the family's next annual scholarship renewal.

This protects families from continual recalculation and allows 13GEM Sporting to administer the program consistently.

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21. Significant Negative Financial Changes and Hardship Review

If the household experiences a **significant, unforeseen event that dramatically reduces its financial resources**, the family may request a Hardship Scholarship review before the normal annual renewal date.

Hardship review is governed by the separate **13GEM Sporting Hardship Scholarship Policy**.

When determining current income following a qualifying hardship, the Scholarship Committee may select the **income measurement period that most accurately represents the family's new or current financial circumstances**.

No fixed 30-, 60-, or 90-day period is required.

The Committee should select a period that reasonably reflects the family's current income without requiring more documentation than necessary.

The same Scholarship Sliding Scale remains applicable after the adjusted current income is determined.

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22. Hardship Income Annualization

When hardship circumstances require income to be annualized, the Committee should use the income information that most accurately reflects the family's current financial condition.

For example, depending upon the circumstances, the Committee may consider:

- Current pay rate;
- Current work schedule;
- Recent actual earnings;
- Year-to-date earnings;
- Post-layoff or post-reduction earnings;
- Current unemployment or wage-replacement income;
- Current self-employment activity;
- Child support actually currently received; or
- Another reliable indication of current household income.

The Committee is not required to use an income period that clearly predates the hardship or produces an unrealistic picture of the family's current financial resources.

The purpose of hardship income calculation is to determine the family's **current financial position**, not to mechanically preserve an income level that no longer exists.

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23. Documentation Should Be Proportional

Income verification should be **reasonable, proportional, and minimally intrusive**.

13GEM Sporting will request only documentation reasonably necessary to:

1. Identify applicable sources of household income;
2. Determine the amount of that income;
3. Calculate a reasonable annual household income; and
4. Determine scholarship eligibility.

The family should not be required to provide its entire financial history when a smaller amount of reliable documentation can resolve the relevant eligibility question.

Where possible, applicants should be permitted to provide one of several reasonable forms of documentation.

Possible documentation may include:

- Pay stubs;
- W-2 forms;
- Tax documents;
- Employer statements;
- Benefit statements;
- Child-support payment records;
- Self-employment income summaries;
- Profit-and-loss information;
- Contracts;
- Year-to-date earnings records; or
- Other reasonably reliable documentation.

Detailed documentation requirements will be established in:

13GEM Sporting Scholarship Documentation Requirements.

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24. Bank Statements

Bank statements are **not ordinarily required** to establish scholarship income.

Limited bank documentation may be requested when reasonably necessary—for example:

- An applicant is self-employed and conventional income documents are unavailable;
- Income is irregular and cannot reasonably be established through other records;
- The applicant lacks traditional employment documentation; or
- A material discrepancy affecting eligibility cannot otherwise be resolved.

When bank documentation is reasonably necessary, 13GEM Sporting should seek the **narrowest amount of information needed to resolve the specific income question**.

Applicants should not routinely be required to disclose unrelated spending habits or complete financial histories.

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25. Alternative Documentation

The inability to provide one standard document does **not automatically disqualify a family** from scholarship consideration.

When a traditional form of income documentation is unavailable, 13GEM Sporting may accept another reliable method of establishing income.

For example, an applicant without conventional pay stubs may be able to provide:

- An employer statement;
- A work contract;
- A year-to-date earnings record;
- A self-employment statement supported by reasonable records;
- Benefit documentation; or
- Another reliable alternative.

The objective is to verify income—not to require a specific document simply because it is commonly used.

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26. Resolving Inconsistent Income Information

If information provided by an applicant is incomplete or materially inconsistent, 13GEM Sporting may request reasonable clarification.

Additional documentation should only be requested when the discrepancy is **material to scholarship eligibility or the scholarship percentage**.

Minor differences that would not affect the household's scholarship determination do not ordinarily require extensive investigation.

Where possible, the Committee should first seek the least intrusive information capable of resolving the discrepancy.

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27. Scholarship Income Calculation

Once all applicable income sources have been identified, annual household income is calculated by adding countable income from the scholarship household.

For example:

Income Source	**Annual Amount**
Parent 1 employment income	$32,000
Parent 2 part-time income	$10,000
Child support actually received	$6,000
Total Household Income	**$48,000**

The family's total annual household income is therefore:

$48,000

That amount is then compared with the applicable 100% FPL guideline for the family's household size.

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28. Calculating the FPL Percentage

After annual household income and household size are established, the family's FPL percentage is calculated according to SOP-003:

Annual Household Income ÷ Applicable 100% FPL Guideline × 100 = Household FPL Percentage

The resulting percentage will be rounded to **two decimal places** according to the rounding rule established in SOP-003.

For example:

125.994% becomes 125.99%

125.995% rounds up to 126.00%

The calculated and rounded FPL percentage then determines the scholarship percentage under the Scholarship Sliding Scale.

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29. Scholarship Committee Discretion

The Scholarship Committee may exercise reasonable administrative judgment when determining how best to calculate income in circumstances involving:

- Variable income;
- Seasonal income;
- Self-employment;
- Significant recent employment changes;
- Irregular child-support payments;
- Unusual household financial circumstances; or
- Hardship situations.

However, administrative judgment should be used to determine the **most accurate income figure**, not to choose a preferred scholarship outcome.

The Committee may not increase or decrease income simply because it believes a particular family deserves a larger or smaller scholarship.

Once household income and household size are established:

The Scholarship Sliding Scale determines the scholarship award.

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30. Documentation of the Calculation

The Scholarship Committee or authorized administrator should maintain a reasonable record showing how annual household income was determined.

The record should generally identify:

- Household size;
- Countable income sources;
- Annualized amount of each income source;
- Total annual household income;
- Any unusual calculation method used;
- Applicable FPL amount;
- Calculated and rounded FPL percentage; and
- Resulting scholarship percentage.

The administrative record should contain enough information to explain and reproduce the decision without retaining unnecessary sensitive information.

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31. Applicant Responsibility

Applicants are responsible for providing complete and truthful income information to the best of their knowledge.

13GEM Sporting recognizes that applicants may make good-faith errors or may not initially understand how a particular income source should be reported.

Applicants may be given a reasonable opportunity to clarify or correct information.

However, fraud, intentional misrepresentation, falsification of documents, or intentional failure to disclose material income that existed when the application was submitted may result in:

- Denial;
- Modification;
- Termination of a scholarship; or
- Possible impact on future scholarship eligibility.

Any action should be proportionate to the circumstances.

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32. Relationship to Registration Fees

Household income determines the family's FPL percentage, and the FPL percentage determines the scholarship percentage.

The scholarship percentage is applied to eligible program tuition according to **SOP-003**.

Registration fees are **not included in the scholarship award**.

After the scholarship has been applied, the standard registration fee is generally calculated as **6% of the family's remaining tuition balance**.

Accordingly:

Income determines the scholarship percentage.

The scholarship percentage determines the family's remaining tuition balance.

The remaining tuition balance determines the applicable registration fee.

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33. Relationship to Other Scholarship Policies

This policy should be administered together with:

- **SOP-001 — Scholarship Opportunity Program Policy**
- **SOP-002 — Household Size & Child Support Income Policy**
- **SOP-003 — Scholarship Sliding Scale & FPL Eligibility Chart**
- **Scholarship Documentation Requirements**
- **Hardship Scholarship Policy**
- **Scholarship Committee Charter**
- **Scholarship Committee Review Worksheet**
- **Annual Scholarship Renewal Form**

Where another policy provides a more specific rule governing a particular issue, the more specific policy should be applied consistently with the overall principles of the Scholarship Opportunity Program.

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34. Governing Principles

13GEM Sporting's income policy is governed by the following principles:

Accuracy: Household income should reasonably reflect the financial resources available to the scholarship household.

Consistency: Comparable income should be treated comparably among applicants.

Current Circumstances: Income calculations should reasonably represent the family's actual financial situation rather than relying on outdated information when circumstances have materially changed.

Proportionality: Income verification should require only the information reasonably necessary to determine eligibility.

Flexibility of Documentation: Families should not be denied solely because one conventional form of documentation is unavailable when another reliable method can establish income.

Objectivity: The purpose of income calculation is to establish the correct FPL percentage—not to produce a predetermined scholarship result.

Privacy: 13GEM Sporting should avoid collecting or retaining financial information that is unnecessary to administer the Scholarship Opportunity Program.

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35. Approval

This Scholarship Income Definition & Calculation Policy becomes effective upon approval by 13GEM Sporting and remains in effect until amended or replaced.

Approved By: Jacob Echevarria

Title: Founder, Owner, Director

Signature: JE

Date: 9/11/2026

Policy Number: SOP-004

Next Review: ____________________________________