



COMMUNITY  
FOUNDATIONS  
OF CANADA

# RESOURCE MANUAL

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## Key Policies for Canadian Community Foundations

2016  
(updated)

Supplement to the  
Policy Guidelines  
and Template Manual





## ACKNOWLEDGEMENTS

### **Key Policies for Canadian Community Foundations**

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Community Foundations of Canada (CFC) is committed to sharing its resource material and learnings. Many of CFC's publications are available free-of-charge from its Web site. Other publications and materials can be purchased from CFC.

The material in CFC's manuals is intended for its member community foundations. CFC members are encouraged to copy and adapt the material in this manual, as needed, for exclusive use within their foundations.

For all other organizations wishing to quote the material in this manual, references to or simple excerpts from this publication can be made with proper acknowledgement of CFC, the publication's full title and date of publication. Those wanting to adapt or use the material in this publication more substantially must contact CFC at +1.613.236.2664 or [info@communityfoundations.ca](mailto:info@communityfoundations.ca)



COMMUNITY  
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Key Policies for Canadian Community Foundations  
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## Introduction

This manual is designed to be a starting point for your community foundation to put in place policies that represent best practices. Use these policy examples as a starting point to create your own.

A more in-depth examination of the considerations required for each policy is available in the *Policy Guidelines and Template Manual*. It provides each community foundation Board of Directors with key questions to be considered in developing policy that is consistent with their model of governance as a community foundation.

We have also aligned these policies with the relevant Imagine Canada Standards. The mission of the Standards Program is to build excellence within Canada's charities and nonprofits through common standards of practice and to strengthen confidence in the sector. Practices and processes relating to some of the Standards would also need to be developed if a community foundation is interested in being accredited through this program. However a great first step would be to align a foundation's policies with the Standards. For further information on the Standards go to <http://www.imaginecanada.ca/about-standards-program>.





## Index of Key Policies

These policy examples correspond with policies available in CFC’s *Policy Guidelines and Template Manual*.

### Governance and Assessment

These policies are designed to demonstrate an organization’s obligation to model high standards. For the purposes of these policies, governance shall be defined as “the act of governing – providing leadership, direction and ensuring sound management.”

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\* This policy is required for membership in CFC.





## **Governance**

### **1.01 Governance and Governance Assessment**

Directors act in the best interest of their foundation, exercising care, diligence and skill that a prudent person would show in similar circumstances

The three key duties of directors are:

- Duty of Skill or Competence
- Duty of Diligence
- Duty of Loyalty

#### **Duty of Skill or Competence**

- Ensuring board member nomination, recruitment and orientation process in place
- Ensuring the effectiveness of Board, committees and management through an annual evaluation process
- Voicing, clearly, respectfully and explicitly at the time a decision is being taken, any opposition to a decision being considered by the board
- Developing a process for succession planning of officers, directors and committee chairs

#### **Duty of Diligence**

- Being informed of incorporation articles, bylaws, mission, and strategic plan
- Ensuring that the bylaws include clauses that state no board member receives compensation, that the board meets a minimum of 3 times annually, that the board has, at a minimum, 5 directors who must be at arm's length to each other and that no employee is a director of the foundation
- Being informed of board activities, the community and general trends in philanthropy
- Attending board meetings, serving on a committee(s) and contributing to the work of the board
- Ensuring that proper minutes of meetings and policies are properly recorded and retained
- Ensuring that the financial affairs of the corporation are conducted in a responsible and transparent manner with due regard for their fiduciary responsibilities and public trusteeship
- Asking the directors to review a decision where the board acted without full information
- Ensuring that the vision and mission statements are in place and reviewed for relevance every 5 years
- Developing, approving and monitoring strategic plans in conjunction with the senior staff person
- Appointing and orientating the senior staff person, monitoring his/her performance against specified goals related to the strategic plan, and approving the senior staff person's remuneration.
- Ensuring that there is a job description or terms of reference for the senior staff person which includes compensation and benefits
- Evaluating management's effectiveness in implementing the strategic plan
- Working with staff, where appropriate, on committees and respecting the roles of Board and staff



- Ensuring that strategy is implemented for consulting and communicating with stakeholders

### **Duty of Loyalty**

- Publicly demonstrating acceptance, respect and support for decisions legitimately taken in the transaction of the board's and/or foundation's business
- Serving the overall best interest of the corporation rather than any particular constituency

### **Implementation:**

Board members will be informed of their responsibilities during an orientation session conducted within 2 months of joining the board. A board manual will be prepared for all board members and it is the responsibility of each board member to keep their manual updated.

### **Governance**

For foundations where board members perform administrative functions, the following clause should be included in the policy: The board uses an administrative or operational model where the board provides direction and develops policy and individual board members perform administrative functions and help with direct service. This governance model will be reviewed on an annual basis and/or upon hiring staff.

### **Implementation:**

This model of governance will be communicated to all committee chairs and will be included in the foundation's promotional materials.

### **Governance Assessment**

The board will assess its effectiveness on an annual basis at the meeting immediately preceding the annual general meeting.

### **Implementation:**

The following will be assessed: board orientation, financial viability, understanding the board's responsibilities, effectiveness of planning direction and priorities of the foundation, management of board meetings, board commitment to foundation's mission and values, compliance with bylaws, and conflict of interest. An action plan will be developed to strengthen the board's effectiveness. The board will monitor the plan. It is the responsibility of the Board Chair to report at each board meeting on the implementation of the plan.

**Monitoring:** This policy will be reviewed every two years

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

### **Imagine Canada Standards which align with this policy:**

- A1 The organization has a mission statement that is approved and revisited by the board at least every five years to assess its continuing relevance.



- A2 The board ensures a strategic plan is in place.
- A3 The board is accountable for the recruitment and orientation of the most senior staff person in the organization.
- A4 The most senior staff person reports to the board of directors and has a written job description or terms of reference.
- A8 The board or a board committee oversees the organization's compliance with its own governing documents (e.g., letters patent, by-laws) and all applicable federal, provincial and municipal laws and regulations.
- A9 The organization identifies its stakeholders and ensures there is a strategy for regular and effective communication and consultation with them about the organization's achievements and work.
- A13 The board holds a sufficient number of meetings annually to ensure appropriate direction and oversight of the organization's activities. At minimum, the board should hold two meetings per year at which the agenda is not restricted to a specific issue or issues (e.g., appointment of officers).
- A14 The board has written terms of reference.
- A15 The board is comprised of no less than 3 (but preferably 5 or more) directors, a majority of whom must be at arm's length to each other, to the most senior staff person and/or other management staff. No employee may be a director.
- A16 No member of the board is entitled to receive, either directly or indirectly, any salary, wages, fees, commissions or other amount for services rendered to the organization in their capacity as a director.
- A17 A process is in place to ensure orientation of new board members.
- A19 The board has a process to annually review plans for succession to the positions of board chair and committee chairs.



## **Governance**

### **1.02 Role of Officers**

The officers act together as the Executive Committee. They have the authority to act on behalf of the board only on matters that do not impact the financial viability of the foundation. All decisions made on behalf of the board must be ratified at the next board meeting. All decisions of the Executive Committee must be in accordance with the foundation's policies. Decisions can only be made with a quorum of 50% plus one.

#### **Board Chair**

The board chair:

- Is the spokesperson for the foundation, consistent with board policy and direction of the foundation
- Chairs all board meetings and Executive Committee meetings
- Manages the activities of the board and ensures that the board follows the organization's policies and those imposed by statute or regulation
- Ensures that the board meetings are conducted efficiently and effectively
- Ensures that the board has the information and opportunity necessary to come to decisions on matters within its purview
- Sets the agenda in consultation with the staff and other board members, where appropriate
- Establishes the schedule for meetings, one year in advance, at a regular location and time
- Ensures that items upon which discussion is deferred, are revisited within the appropriate time period
- Ensures that a volunteer recruitment and recognition program is developed and implemented

#### **Vice Chair**

The Vice Chair assumes the duties of the Chair during his/her absence and will perform other duties prescribed from time to time by the board.

#### **Past Chair**

The Past Chair will chair the Nominating Committee and will perform other duties prescribed from time to time by the board.

#### **Secretary**

The Secretary ensures that minutes of meeting of the board and members are accurately kept and filed in accordance with statute or regulation and will perform other duties prescribed from time to time by the board. The Secretary is also responsible to ensuring that changes in board are reported to the provincial Office of the Public Guardian and Trustee, Industry Canada or comparable provincial or national office.



### **Treasurer**

The Treasurer chairs the Finance Committee and is responsible for:

- Ensuring that the financial records are updated and maintained
- Ensuring the preparation of monthly financial statements
- Ensuring timely banking and payment of government remittances
- Ensuring the preparation and monitoring of the annual budget
- Ensuring the financial statements are monitored to budget and presented to the board on a quarterly basis
- Ensuring that there is an annual financial review by an accounting professional of the foundation's financial statements, in accordance with an acceptable accounting framework as identified by Chartered Professional Accountants Canada (CPA Canada), within 120 days of the fiscal year end
- Ensuring that the annual T3010 is submitted to the Charities Directorate of the Canada Revenue Agency within six months of the fiscal year end
- Presenting the annual financial statements to the membership within 6 months of year end and ensuring that the financial statements are publicly available
- Sitting as a member of the Investment Committee

**Monitoring:** This policy will be reviewed every two years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

### **Imagine Canada Standards which align with this policy:**

A18 Proper minutes of board meetings and record of policies are kept.

B1 Organizations must complete annual financial statements in accordance with an acceptable accounting framework as identified by Chartered Professional Accountants Canada (CPA Canada).

B3 The organization's financial statements must be received and approved by the board and released within 6 months of year end.

B4 The board has a process to ensure that an accurate Registered Charity Information Return (T3010) is filed with the Canada Revenue Agency (CRA) within six months of year-end, as required by law.

B5 The board approves the annual operating budget and has a process to monitor the organization's performance in relation to the annual budget. The board or a board committee reviews actual revenues and expenses versus budget at least twice a year.



- B6 The board or a board committee receives from management, at least twice a year, assurance that all statutory remittances have been made.
  
- B10 The organization's financial statements are publicly available.
  
- E1 The organization has policies and procedures in place that define and support the involvement of volunteers.



## Governance

### Governance

#### 1.03 Financial Accountability

The foundation's financial affairs will be conducted in a responsible manner, consistent with the ethical obligations of stewardship and the legal requirements of provincial and federal regulators.

All donations will be used to support the charitable purposes of the foundation, as specified in the governing documents. All donations will be used for the purposes for which they were given. If an alternate use for a donation is necessary due to program or organizational change, this use will be discussed with the donor or the donor's legal designate. If no agreement can be reached with the donor or donor's legal designate, the unexpended part of the donation will be returned to the donor. If the donor is deceased and the foundation is unable to contact a legal designate, the donation will be used in a manner that is as consistent as possible with the donor's original intent.

The Foundation prepares and issues Official Income Tax receipts for monetary gifts and gifts-in-kind in compliance with all regulatory requirements.

The annual financial statements will be prepared and approved by the board, within 6 months of the fiscal year end, using generally accepted accounting principles and standards established by the Chartered Professional Accountants of Canada, in all material respects.

The annual report will disclose total amount of donations and expenses including salaries, overhead, fundraising costs and identification of government grants and contributions separately from donations.

The foundation will meet or exceed the Canada Revenue Agency's requirement for expenditures on charitable activities. When this is not possible, any excess gained in previous years will be used to meet this requirement. If this is not possible, the foundation will apply to the Canada Revenue Agency to seek relief. The foundation will comply with section 149.1 of the Income Tax Act (Canada), which requires that all charities are required to expend 3.5% of the value of assets in support of charitable programs.

**Monitoring:** This policy will be reviewed every three years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

B1 Organizations must complete annual financial statements in accordance with an acceptable accounting framework as identified by Chartered Professional Accountants Canada (CPA Canada).



## Governance

- B3 The organization's financial statements must be received and approved by the board **and** released within 6 months of year end.
- B11 The organization makes information on compensation accessible to its stakeholders to at least the same level as that required by CRA in the T3010.
- B13 The organization accurately discloses all costs associated with its fundraising activities.



## Governance

### 1.04 Conflict of Interest

#### Preamble

It is important that our practices and decisions are without suspicion or influence and avoid any appearance of impropriety, which may raise concerns within or outside the organization. The policy is designed to ensure an organization's reputation for integrity of decisions. As a result, this policy addresses conflicts of interest, real or perceived.

This policy will not address the issue of what constitutes an actual conflict of interest as a matter of law.

As a result, the policy is directed towards the sources of most potential conflict. These include conflicts arising as a result of affiliation with:

1. An organization which has, or is negotiating, a business relationship
  - A conflict of interest arises in a situation in which
    - The foundation has business or financial dealings with a board member, volunteer\* or staff member individually or with a corporation, partnership or other business enterprise of which the board member, volunteer or staff member, or a member of his/her family\*\*, is an officer, director, partner or substantial stockholder:
    - The primary purpose of a grant from the foundation to a qualified grantee is made to support a transaction with such a business enterprise.
2. An organization seeking funding or other support
  - A conflict of interest arises in a situation in which the foundation is considering or makes a grant to a qualified donee of which the community foundation board member, volunteer or staff member, or a member of his/her family, is an officer, director, trustee or employee of the applicant organization. This also includes situations where board members, volunteers or staff members have an unofficial role with the applicant organization as a significant donor, volunteer, advocate or advisor

\*Volunteer includes any person serving voluntarily on a committee with board-delegated powers or in any other capacity that might give rise to a conflict of interest.

\*\*Family includes spouse or partner, children, grandchildren, parents or grandparents, siblings (and their immediate families), as well as any member of the extended family living under the same roof.

#### Implementation:

This policy will be conveyed to staff and all new board and committee members.



The first agenda item of board and committee meetings will be a declaration of conflict of interest. Members, including staff, will be asked to verbally declare conflict of interest and to identify which agenda items that are in conflict. The minutes of the meeting will reflect declared conflicts. If the member is unsure, he/she will ask for clarification and the chair will determine if there is a real or perceived conflict.

When there is a conflict, the member will refrain from all discussion pertinent to the subject and abstain from voting. When there is a conflict of interest for a member of the Grants Committee, the committee member will temporarily remove themselves from the committee for the round of grants being assessed.

It is the responsibility of board and committee members to raise concerns they may have regarding conflict of interest with a member who is perceived to be in conflict. If there are still concerns, it is their responsibility to convey these concerns to the chair.

Board, volunteers and staff are prohibited from accepting personal gifts from current and prospective providers of services or goods and grantees with the exception of occasional hospitality or other benefits of a nominal value.

Board members, volunteers and staff are prohibited from using privileged information gained in their role for personal or professional gain.

**Monitoring:** This policy will be reviewed every five years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

A10 The organization has conflict of interest policies for **board, staff, and volunteers** that provide for **disclosure, review and decision** on actual or perceived conflicts of interest.



## **Governance**

### **1.05 Confidentiality and Privacy**

#### **General**

The foundation is committed to protecting the privacy of the information of its employees, members, customers and other stakeholders. We value the trust of those we deal with, and of the public, and recognize that maintaining this trust requires that we be transparent and accountable in how we treat the information that donors choose to share with us. During the course of our various projects and activities, we frequently gather and use personal information. Anyone from whom we collect such information should expect that it will be carefully protected and that any use of or other dealing with this information is subject to consent. This policy is posted on the foundation's website.

#### **Definition of Personal Information:**

Personal information is any information that can be used to distinguish, identify or contact a specific individual. This information can include an individual's opinions or beliefs, as well as facts about, or related to, the individual. Exceptions: business contact information and certain publicly available information, such as names, addresses, email addresses and telephone numbers as published in public directories, are not considered personal information. Where an individual uses his or her home contact information as business contact information as well, we consider that the contact information provided as business contact information.

#### **Practices:**

Personal information gathered by the foundation is kept in confidence. Our personnel are authorized to access personal information based only on their need to deal with the information for the reason(s) for which it was obtained. Safeguards are in place to ensure that the information is not disclosed or shared more widely than is necessary to achieve the purpose for which it was gathered. We also take measures to ensure the integrity of this information is maintained and to prevent its being lost or destroyed. We collect, use and disclose personal information only for purposes that a reasonable person would consider appropriate in light of the circumstances. We routinely offer individuals we deal with the opportunity to opt not to have their information shared for the purposes beyond those for which it was explicitly collected. We use password protocols and encryption software to protect personal and other information we receive when a product or service is requested and/or paid for online. Our software is routinely updated to maximize protection of such information. A board member or staff member has been designated to respond to questions, concerns of complaints relating to this policy.

#### **Donors:**

Board members and staff are required at all times to respect the confidentiality of a donor's name, level of gift and personal circumstances that might identify a donor, if asked to do so by the donor or by motion of the board. Donor requests for confidentiality and anonymity will be strictly respected. Access to donor information will be restricted to only those who need it for the function of their duties. Paper records are kept locked and computer records are protected using password protocols. Donor



lists are not shared with any other fundraising organizations. The Foundation does not use outside contract fundraisers.

**Grant Recipients**

The Foundation grant making process requires charities and agencies to provide detailed project and organizational information. This may often be sensitive and will be treated in confidence.

**Contracts/Grants**

The Foundation as a necessity will contract with professional and business corporations and details of all such transactions will be treated with respect and discretion. Information relating to personnel, litigation and property contracts and resulting transactions will be kept confidential.

**Meetings**

The Board and all its committees act as a whole. Deliberations including the opinions of individual Board and Committee Members will be kept confidential. Third party opinions with respect to contracts or grants applications will be kept confidential. Board members are required to hold in strictest confidence all matters dealt with by the board during in-camera meetings and matters relating to personnel and property.

**Implementation:**

The above constitutes the Statement of Confidentiality and Privacy. Each board member and volunteer will sign and date this statement.

**Monitoring:** This policy will be reviewed every five years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

A11 The organization has a privacy policy that is posted in a readily accessible location on its website.

C3 Donors' requests to remain anonymous are honoured.



## **Governance**

### **1.06 Risk Management**

#### **Preamble**

Community foundations have an opportunity and an obligation to model high standards of accountability, at a time when charitable organizations are being closely scrutinized by donors, government agencies and the public. In addition, community foundations need to ensure that adequate financial resources are committed to carry out responsibilities. The Board of Directors is responsible to ensure that bylaws are current, that governance practices are consistent with the bylaws, adequate insurance provisions are in place to protect the organization and board from potential liabilities, resources are sufficient to minimize risk to employees and volunteers, compliance with statutory and regulatory requirement, that policies are respected in actual practice; and adequate contingency plans are in place against reasonably anticipated crises.

#### **Bylaws**

The bylaws will be reviewed every 5 years or when there is a significant change in governance. An Ad Hoc Committee of the board will review the bylaws.

#### **Insurance**

The Finance Committee annually will review the level and type of insurance and make recommendations to the board whether adequate insurance provisions are in place to protect the organization and the board from potential liabilities.

#### **Corporate Records**

The Secretary is responsible for ensuring that the corporate records are maintained and filed securely. This includes: all charter documents, bylaws, list of directors, officers and members, minutes of meetings of directors and members, copies of financial statements, banking documents, confirmation of charitable registration, copies of T3010 and duplicate copies of charitable tax receipts.

#### **Backup of Computer Records**

Offsite backup copies are to be kept of all computer records.

#### **Deed of gifts**

There will be three copies made of each deed of gift, one for the donor and two for the foundation. One copy of each deed of gift is to be filed off-site in a secure location. This can be an electronic version.

#### **Statutory Remittances and Filing of T3010**

The Executive Director or Treasurer will confirm at each board meeting that all statutory remittances are current. The Treasurer will confirm that the T3010 has been filed within 6 months of the fiscal year end.

**Monitoring:** This policy will be reviewed every five years and receive an annual risk management report.



## Governance

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

### Imagine Canada Standards which align with this policy:

- A6 The organization has a process to identify its major strategic and operational risks **and** a plan to minimize and mitigate these risks. The plan is reviewed annually by the board.
- A7 The organization has a process to review its insurance coverage. A summary report is reviewed annually by the board.
- A8 The board or a board committee oversees the organization's compliance with its own governing documents (e.g., letters patent, by-laws) and all applicable federal, provincial and municipal laws and regulations.
- A18 Proper minutes of board meetings and record of policies are kept.
- B6 The board or a board committee receives from management, at least twice a year, assurance that all statutory remittances have been made.



## Financial Management

### 2.01 Investment Policy – Long Term

#### Preamble

The goal of the investment policy is to outline the foundation's investment principles and provide guidelines to maximize return on investment in a prudent and diversified manner that will provide adequate income while ensuring requirements for distributions to qualified donees, administrative fees and the preservation of the value of capital over the long term are carried out. The investment policy shall also ensure that the foundation conforms to the requirements of applicable Federal and Provincial Statutes and Legislation including the Income Tax Act (Canada) and the Trustee Act.

#### Roles and Responsibilities

The Board of Directors is responsible for reviewing and approving the Investment Policy, for ensuring compliance to the policy and for monitoring the performance of the results on a quarterly basis.

The Board of Directors will appoint an Investment Committee to develop the Investment Policy Statement. The Investment Committee will be responsible for investing funds as per the Investment Policy, prior to an Investment Manager being engaged. The committee is responsible for reporting to the board the performance of the investments on a quarterly basis, according to the return objectives in accordance with the policy. The Investment Committee is required to inform the board if the committee at any time feels that the performance expectations cannot be met or that the investment guidelines in the Investment Policy restrict performance.

No portion of the funds will be loaned directly to any individual.

The Investment Committee will recommend to the board, when it is appropriate, to hire an Investment Manager. The Investment Committee is responsible for conducting a search for the Investment Manager, as required, and to forward recommendation to the board. The search will be conducted through a Request for Proposal format. Proposals will include: understanding of the requirements of the Investment Manager, applicable investment fees, reports to be prepared, performance and experience in managing funds, broad investment approach and services to be offered. The Investment Manager is required to comply with the Code of Ethics and Standards of Professional Conduct as adopted by the Association for Investment Management and Research (AIMR).

The committee quarterly will monitor the performance of the Investment Manager according to established criteria in the Investment Policy Statement, agreed to jointly by the committee and the manager. The Investment Manager will participate in the establishment and the review of the Investment Policy Statement. The Investment Committee will approve investment recommendations made by the Investment Manager. If a majority of the committee is not available, the chair of the committee is authorized to approve the recommendation of the Investment Manager, within the



guidelines of the Investment Policy Statement.

The Investment Manager is required to:

- Provide a review of the Fund's performance as well as expectations on the economic and financial market outlook and related investment strategies on a quarterly basis to the Investment Committee, such report to be presented to the board by the Chair of the committee.
- Notify the Investment Committee promptly in writing of any significant changes in the policies, procedures, personnel, ownership or any similar areas of the investment firms.
- Inform the Investment Committee if the Manager at any time feels that the performance expectations cannot be met or that any guidelines contained herein restrict performance.
- Disclose any material interest in any investment or proposed transaction.
- Provide a letter of compliance, within 4 weeks at the end of each quarter, detailing and explaining any investment guidelines contained in the policy which have been breached and/or confirming compliance

The Investment Policy Statement will include the following:

- Overall total return objective, measured on a four year moving average basis, to achieve a maximum rate of return consistent with prudent investments in order to meet the Spending and Capital Preservation Policy guidelines
- Provision of income for distribution while addressing the foundation's administrative fee and the preservation of capital
- Consideration of safety of capital, liquidity and long term capital growth
- Identification of eligible asset classes, asset allocation, and appropriate level of diversification
- Performance benchmarks in each asset class

**Monitoring:** This policy will be reviewed every three years or when there is a significant change in the capital in the Fund.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

B8 Organizations with investable assets over \$100,000 must have an investment policy setting out asset allocation, procedures for investments, and asset protection issues.



# Financial Management

## 2.02 Investment Policy – Short Term and Securities

The Treasurer will have the authority to invest operating and flow through funds, in compliance with this policy. These investments are limited to redeemable investment certificates and money market mutual funds through the corporation’s banking institution. There is a requirement to maintain adequate cash in the corporation’s current accounts to meet the current month’s operating expenses, granting or flow through disbursements.

**Monitoring:** This policy will be reviewed every three years or when this responsibility can be delegated to a staff member.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

B8 Organizations with investable assets over \$100,000 must have an investment policy setting out asset allocation, procedures for investments, and asset protection issues.



## **2.03 Funds, Fund Types and Criteria for Naming**

### **Preamble**

The foundation gives individual donors, family foundations, businesses and charitable organizations a number of ways to fulfill their philanthropic objectives while supporting the wellbeing of our community.

We believe that by strengthening the gifts, assets and capacity of individuals and groups, we strengthen our community. The foundation specializes in building endowment funds, where the capital is not encroached, and uses the funds' earnings to support the ever-changing needs and opportunities of our community.

The foundation has a number of types of funds available for donors. Many of them are open funds where gifts may be made by any interested contributor thereby allowing even modest contributions to be joined with others' gifts for maximum charitable benefit.

Donors may name the fund that they endow – for themselves, a family member, a company or a valued friend. Some funds have names that convey specific goals or purposes, or hold special meaning to the donor. The criteria for naming and establishing funds are identified below in each fund definition.

### **Funds – General Guidelines**

All funds are open funds, meaning that any donor can make a gift at any time, once the fund is opened.

Donors creating named funds will be provided with an annual fund statement, reflecting additions to the funds, administrative and investment fees charged against the funds, grants from the fund and the determination of annual distributable earnings for the subsequent year.

Annual distributions from the fund will be identified as having come from the fund, unless the donor wishes the distribution to remain anonymous.

A deed of gift or deed of gift will be required to establish all funds. The board will approve templates for the deeds for each type of fund. The board must approve any changes to the clauses of these templates. The Board will pass a resolution confirming the terms of each deed of gift. CFC provides a deed of gift template.

Deed of Gift agreements can be amended during the lifetime of the donor.

The foundation encourages donors to seek independent advice if the proposed gift is a Planned Gift and/or the foundation has any reason to believe the proposed gift might significantly affect the donor's financial position, taxable income, or relationship with other family members.



## **Endowment Fund Definition**

Endowment funds are defined as those funds created where the capital is held in perpetuity and the annual distributable earnings are allocated to charities, as per the type of fund created below. With board approval, donors can setup endowment funds where a portion or all of the capital is disbursed on a regular basis.

## **Community Fund**

This fund will consist of donations, large and small, from a variety of sources – individuals, corporations and foundations. Donations to this fund give the foundation the greatest flexibility to respond to current community needs through the provision of grants to charities. The minimum donation to establish a named fund within the Community Fund is \$XXXX.

## **Field of Interest Funds**

These funds work much like the Community Fund, except that donors will identify an area of interest that they would like to target their support (ex. heritage, children and youth, relief of poverty, education, etc.). The donor empowers the foundation's Grants Committee to select worthwhile projects to support. The minimum donation to establish a Field of Interest Fund is \$XXXXX. A Named Fund can be established within an existing Field of Interest Fund with a \$XXXX donation.

## **Donor Advised Funds**

Donor advised funds enable a donor to have ongoing participation in the selection of charities that will benefit from their gift. Donors can choose this type of fund instead of creating a family trust or private foundation. Existing foundations are able to transfer their assets to the foundation to achieve higher returns or reduce administrative costs while still remaining involved in allocating grants. A minimum donation of \$XXXXX is required to open a donor advised fund.

## **Designated Funds**

By establishing a designated fund, donors have the opportunity to specify which particular charity or charities they would like to support in perpetuity. If an organization ceases to exist, the donor has not named a successor beneficiary and the donor is deceased, the foundation will redirect the funds to a named fund within the Community Fund. Donors are able to establish a designated fund with a minimum donation per beneficiary of \$XXXXX.

## **Agency Endowment Funds**

These funds can be created on behalf of registered charities. The fund allows the charity freedom from investment responsibility and gives donors the confidence of knowing that a permanent foundation is in place to professionally administer the charity's endowment. Once established, the charity will encourage their donors to contribute to their endowment fund. The minimum donation to establish this type of fund is \$XXXXX.

## **Emerging Funds**

By establishing an Emerging Fund, donors are able to open a fund in any of the above categories with an initial donation and a pledge to meet one of the minimum donation levels as described above within five years of the initial gift. Until such time as the pledge is fulfilled, no distribution will



be made from the Emerging Fund, provided that the foundation is still able to fulfill its disbursement quota as determined in its annual T3010.

### **Operating Endowment Fund**

The purpose of this fund is to offset the costs of operating the foundation. Donors are able to establish a Named Fund within this fund with a minimum donation of \$XXXX.

### **Flow Through Funds**

These are non-endowed funds whereby the funds are received by the foundation and then provided to a designated charitable organization on behalf of the donor(s). Flow through funds will only be available for donors who have established an endowment fund with the foundation. The board will consider other instances to create flow through funds on a case-by-case basis where there is a demonstrated advantage to the long-term growth of the foundation.

### **Capital Disbursement Fund**

This type of fund enables donors to create a fund where an agreed to portion of the capital along with the annual distributable earnings is paid out on an annual basis.

**Monitoring:** This policy will be reviewed every three years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

### **Imagine Canada Standards which align with this policy:**

- C5 The organization encourages donors to seek independent advice if the proposed gift is a Planned Gift and/or the organization has any reason to believe the proposed gift might significantly affect the donor's financial position, taxable income, or relationship with other family members.
- C12 The organization has appropriate fundraising policies (e.g., a gift acceptance policy, *a policy on the treatment of restricted or designated gifts, and naming and endowment policies*). The relevance and appropriateness of these policies are reviewed every three years by the board.



## Financial Management

### 2.04 Administrative Fee

Administrative fees will be charged on all funds. This fee will be determined by the Finance Committee and presented to the board for approval.

The provision of administrative fees will be included in all deeds of gift. Donors will be informed annually of the administrative fee.

The administrative fee will be calculated based on the capital and undistributed earnings in each fund as of the beginning of the month.

Any extraordinary costs associated with creating a fund will be borne by the donor, unless previously agreed to differently by the board.

**Monitoring:** This policy will be reviewed every three years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.





## Financial Management

### 2.05 Authorization

Two signatures will be required on all cheques and banking documents (*note: make this provision conform with your foundation's Bylaws*). All invoices are reviewed by two signing officers prior to payment. The Board Chair (or Treasurer), must approve all non-budgeted invoices over \$1,000.

The Secretary plus one other signing officer, signs all legal documents (*note: make this provision confirm with your foundation's Bylaws*), once the board approves these documents.

The Executive Director plus one other signing officer signs all deed of gifts. All deed of gifts are approved by the Board.

The Executive Director or Treasurer signs donation receipts.

**Monitoring:** This policy will be reviewed every three years or upon hiring an Executive Director.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.





## Financial Management

### 2.06 Donation Recording and Receipting

Donation receipts will only be issued once the gift is the legal property of the foundation. The Treasurer or Executive Director signs donation receipts. Receipts will be issued within one month of receipt by the foundation.

Donation receipts will include the following information:

- Name and address of donor
- Name and address of foundation
- Date gift was received
- Foundation's charitable registration number
- Website address of the Canada Revenue Agency
- Amount of donation
- Description of donation if in-kind (i.e. non-cash)

Written donor direction must be received in writing for all gifts held in perpetuity, such direction to include notice that the gift is held by the foundation in perpetuity, date of direction (same date of receipt of gift), name of fund within the endowment that the gift is to be directed and that all gifts, now and in the future, are covered by the same direction unless the donor directs otherwise. The Treasurer ensures that donor direction is received for all gifts held in perpetuity.

Donation receipts for gifts of securities are based on the value of the securities at the close of trading on the day in which the ownership is transferred from the donor to the foundation. Supporting documentation in writing must verify this valuation.

One copy of the donation receipt, filed in numerical order, will be held for seven years. This can be an electronic copy. One copy of the receipt for a gift to an established fund, will be kept in the fund file. The permission of the Canada Revenue Agency must be received before receipts are disposed.

Donation receipts for special events will be in accordance regulations of the Charities Directorate of the Canada Revenue Agency.

**Monitoring:** This policy will be reviewed every three years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

C5 The organization prepares and issues Official Income Tax receipts for monetary gifts and gifts-in-kind in compliance with all regulatory requirements.





## Financial Management

### 2.07 Expense Reimbursement

Volunteers and staff will be reimbursed for expenses incurred in conducting the business of the foundation. The Treasurer or Executive Director, prior to the expense being incurred, must approve request for reimbursement. For approved expenses, receipts must accompany request for reimbursement.

Mileage will be reimbursed at the rate of \$0.40 per km. *(or whichever rate the board determines)*. This rate is reviewed annually and based on \_\_\_\_\_ *(need to determine this – it could be based on the rate used by the local United Way or municipality)*.

Meal expenditures incurred on foundation business will be reimbursed, per person, based on the following schedule: breakfast \$12.00; lunch \$17.00; dinner \$30.00 *(or whichever rate the board determines)*.

**Monitoring:** This policy will be reviewed every three years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.





## Donor and Gift Management

### 3.01 Gift Acceptance

The purpose of this policy is to provide guidelines for the types of outright gifts (i.e. cash, publicly traded securities) and deferred gifts (i.e. bequests, life insurance) that will be accepted by the foundation.

**Consistency with foundation mission:** Gifts must be consistent with the overall mission and strategic intent of the foundation, all applicable statutory provisions, and must not compromise the foundation's integrity. The foundation may, in its discretion, refuse a gift on these grounds.

**Clarity of intent:** The foundation shall not solicit or accept a gift from a donor unless it is satisfied that the donor has a bona fide charitable intention and has an accurate understanding of the consequences of the donation, the work of the foundation, and the uses to which the gift will be put.

**Seeking independent advice:** Persons acting on behalf of the foundation shall encourage potential donors to consult independent legal and tax professionals to ensure that donors receive a full and accurate explanation of the nature and consequences of their gifts.

**Undue influence:** Persons acting on behalf of the foundation shall inform, serve, guide or otherwise assist donors who wish to support the foundation's activities, but never under any circumstances are they to pressure or unduly persuade.

**Parameters of gifts:** Foundation volunteers, friends and staff members are authorized to encourage donors to make gifts to the foundation within the parameters of the **Gift Acceptance Policy**.

**Authority to negotiate:** The Executive Director (*or Board Chair, Treasurer, or senior Fund Development staff*) is authorized to negotiate gift agreements with prospective donors and their professional advisors in accordance with the guidelines set for in this Policy.

**Authority to accept:** Outright gifts of cash, publicly traded securities, and life insurance do not require approval by the Board of Directors unless there are unusual restrictions or circumstances involved.

**Gifts Accepted:** The foundation routinely accepts only property that is readily marketable at reasonable cost. That refers to cash, cash equivalents (including deposit instruments of a government or financial institution in Canada), publicly traded securities, policies of life insurance, bequests or any other property that the Foundation has identified within its investment policies.

**Acceptance of Other Forms of Property:** The foundation recognizes that donors will occasionally wish to give property that is not readily marketable, such as real estate, art, jewelry, private corporation shares or residuary interests in trusts. While the foundation is generally pleased to accept gifts, it has to be careful to evaluate whether there may be "hidden costs" in accepting such property. The Board will be consulted on all gifts of property prior to responding to donor. The Board may want to retain the advice of tax and/or legal professionals when considering these types of gifts.





**Related Costs:** Gift-related costs such as legal fees, appraisals, real estate commissions and taxes relating to acceptance, maintenance, management or re-sale of a gift of property will normally be the responsibility of the donor unless the foundation, upon prior agreement, agrees to assume responsibility for any portions of these items. There may be instances that the foundation will cover these costs. In these instances, Board approval is required.

**Gifts Requiring Board Approval:** The following gifts must be reviewed and approved by the Board of Directors: gifts of real or tangible property, gift of a charitable remainder trust and gifts of a residual interest. Before acceptance and approval, relevant information about the gift shall be ascertained, including a copy of any appraisal secured by the donor. The foundation reserves the right to obtain its own appraisal for gifts of real or tangible property or other property whose value is not readily ascertainable.

**Gifts Not Accepted:** The foundation cannot offer charitable annuities or any other gift creating a liability. It reserves the right to decline a gift based on:

- lack of congruency with the foundation's mission;
- desire of the donor to exert unacceptable conditions or controls over disbursement of the net income from the gift;
- cost of ownership implications related to administration time, management and marketability of the gift;
- unacceptable risks;
- gifts that are illegal; and,
- other factors agreed to by the Board of Directors

**Disposition of Gift:** The foundation does not make any representation that by accepting a gift it will retain the property or employ the donated property for the same purposes as the donor used it. For example, absent an agreement, if the foundation acquires a residence as a gift, it will not retain it as an office or retreat, but will sell it and invest the proceeds in accordance with its investment policy.

**Deed of Gift:** The foundation works with donors to develop agreements with respect to the name, nature, limits and use of their gifts at the time a gift is made. These agreements, known as a deed of gift, specify the type of fund created (permanent endowment, flow through fund or non-permanent endowment). A deed will clearly identify that it is the responsibility of the Board of Directors to approve all disbursements of net income from endowed funds. These agreements will be developed where the donor is giving specific recommendations to the foundation as to the distribution of the earnings generated by their gift. All deeds requiring execution by the foundation shall first be reviewed and approved as to form and content by the foundation's legal counsel. Where substantially the same deed is used repeatedly, only the template needs to be approved. All deeds must be reviewed and approved by the Board of Directors.

**Charitable Tax Receipt:** The foundation shall issue a charitable tax receipt within 30 days of receipt of the gift in alignment with the foundation's Donation Recording and Receipting Policy. For gifts of shares, a tax receipt shall be issued for the earlier of either the trading price or the closing price on the day the foundation's broker receives the shares, assuming liquidity.

**Benefit to Donor:** The legal nature of a charitable gift is that a donor cannot expect material consideration (i.e. financial benefits or opportunities) to flow from a gift.





**Donor-Advised Funds:** The Income Tax Act (Canada) imposes limits on a donor's capacity to impose restrictions on charitable gifts. A donor may, however, at the time the gift is made and even subsequently, by agreement with the foundation, place limits on the uses to which a gift may be put.

Further, the donor or the donor's designated representatives may advise the board of the foundation on the application of the earnings of his or her gift and the board shall generally consider and respect such advice. Beyond that a donor cannot legally restrict the foundation.

**Flow-Through Funds:** The principal mission of the foundation is to raise, administer and distribute earnings from funds that are held on a permanent or endowed basis. As a service to donors the Foundation is prepared to accept from time to time the receipt and disbursement of gifts that are not intended to be held as endowment funds. The foundation exercises broad discretion as to whether or not to accept such gifts and may charge an administrative fee.

**Preservation of Donor's Intention:** Where, by prior agreement, the Board agrees to receive the advice of donors on the distribution of grants, the foundation shall not seek to pass judgment on the value or merit of the donor's proposed application so long as the income is applied according to legal provisions to a charitable purpose. Should the foundation cease to exist or become incapable of administering a fund to fulfill a donor's purpose, the foundation shall employ its best possible efforts to ensure continued application of the fund to the purpose originally contemplated by the donor.

**Administration Policies:** The Foundation adopts policies that regulate administrative charges on its endowment funds, manage the investment of the funds, determine the appropriate portion of funds to distribute for charitable granting purposes or retain as capital to protect against erosion by inflation. Except for more precise agreement with the donor overriding these general policies, the foundation shall apply its policies equitably to all funds under its control and may amend such policies from time to time.

**Geographic Area of Focus:** The primary, but not exclusive, focus of the foundation's activities is within the geographic area encompassed by the political boundaries of (*insert name of municipality, region, province*), as at (*insert date of incorporation*). It may refer a donor to another community foundation or charitable organization if it perceives that the donor will be better served by such organizations.

**Acting as a trustee:** The Foundation will not perform the role of estate trustee.

**Guidelines for specific gifts:**

**a. Cash**

Gifts of cash and cash equivalents.

**b. Publicly-traded securities**

Gifts of marketable publicly traded securities shall be scrutinized and accepted by the foundation's investment manager. These securities shall be sold immediately upon receipt and converted to cash and processed based on the foundation's cash management policy.

**c. Gifts of property including real estate, art, jewelry etc.**

Gifts of property or real estate may be made in various ways: outright or residual interest in it.

**Guidelines:**

- Donors shall provide qualified appraisals of proposed gifted property.



- The foundation will obtain its own independent appraisal. The foundation may, at its discretion, obtain a third independent appraisal, and, in such cases, issue a receipt based on the foundation's own appraisal.
- The foundation shall satisfy itself that the donor has clear title to the property.
- The foundation shall review all pertinent factors, including in the case of real property, zoning restrictions, marketability, prior land use, current use and cash flow, to ascertain that acceptance of the gift would be in the best interests of the foundation.
- If the real estate possibly contains toxic wastes, the donor shall secure an environmental audit and provide the results to the Board of Directors. No property containing toxic wastes shall be accepted prior to removal and/or indemnification of the Foundation against all present and future liabilities.

**d. Bequests**

A donor who advises the foundation, in confidence, of a proposed testamentary gift to the foundation, shall be asked to provide, if possible, a copy of that section of the Will naming the foundation. The donor may also wish to execute an agreement with the foundation directing the charitable use of the proposed testamentary gift. The foundation will not serve as executor of a donor's will.

**e. Gifts of life insurance**

There are various methods by which a life insurance policy may be contributed to the foundation. A donor may:

- Commence a life insurance policy of which the foundation is the owner and beneficiary.
- Assign irrevocably a paid-up policy to the foundation.
- Assign irrevocably a life insurance policy on which premiums remain to be paid and a charitable tax receipt shall be issued for premium amounts.
- Name the foundation as a primary or successor beneficiary of the proceeds.

When ownership is irrevocably assigned to the foundation, the donor is entitled to a gift receipt for the net cash surrender value (if any) and for any premiums subsequently paid.

**f. Gift of a residual interest**

This type of gift refers to an arrangement under which a property interest is conveyed to the foundation, but the donor retains use of the property, or income from the property, for life or a specified term of years. For example, the donor might give a residual interest in a personal residence and continue living there or a residual interest in a painting and continue to display it. The owner is entitled to a charitable tax receipt for the present value of the residual interest.

**Guidelines**

The donor shall continue to be responsible for real estate taxes, insurance, utilities and maintenance after transferring title to the property unless the foundation, upon prior approval of the Board of Directors, agrees to assume responsibility for any of these items. The foundation is entitled to require that the donor provide proof of payment of those expenses for which the donor is responsible.





The foundation reserves the right to inspect the property from time to time to assure that its interest is properly safeguarded.

**g. Non-designated gifts**

This From time to time the foundation receives donations that are not designated for a particular endowment fund. Canada Revenue Agency regulations state that donations to be held in perpetuity are required to have a direction from the donor stating this fact. The following policy governs the handling of these types of donations.

**Guidelines**

These donations will be placed in the Community Fund.

**Monitoring:** This policy will be reviewed every three years, upon hiring staff or upon changes to the Income Tax Act.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

- C4 The organization encourages donors to seek independent advice if the proposed gift is a Planned Gift and/or the organization has any reason to believe the proposed gift might significantly affect the donor's financial position, taxable income, or relationship with other family members.
- C5 The organization prepares and issues Official Income Tax receipts for monetary gifts and gifts-in-kind in compliance with all regulatory requirements.





## Donor and Gift Management

### 3.02 Donor Recognition and Stewardship

The foundation will publicly acknowledge all donations, unless the donor wishes to remain anonymous. A thank you letter will accompany all receipts. Donors creating funds will also receive a thank you call from a member of the Board of Directors.

Donors creating funds will receive copies of the foundation's annual report. The foundation does not publish the amount of the donation, except in circumstances approved in advance by the donor. Donors creating named funds will receive an annual fund statement, which will be hand delivered, wherever possible, by a member of the Board of Directors.

The foundation honours donors' and prospective donors' requests to:

- limit the frequency of contact;
- not be contacted by telephone or other technology;
- receive printed material concerning the organization; and
- discontinue contact.

The foundation will not share or sell its donor list with other organizations.

The privacy of donors will be respected. Donor records maintained by the foundation will be kept confidential to the extent possible.

Donors will have the right to see their donor record and to challenge its accuracy.

**Monitoring:** This policy will be reviewed every two years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

#### **Imagine Canada Standards which align with this policy:**

C1 The organization honours donors' and prospective donors' requests to:

- limit the frequency of contact;
- not be contacted by telephone or other technology;
- receive printed material concerning the organization; and
- discontinue contact.

C2 The organization does not sell its donor list. If it rents, exchanges or otherwise shares its donor list, it must abide by the Canadian Marketing Association Code of Ethics and Standards of Practice and honour donors' requests to be excluded from such lists.





## Donor and Gift Management

### 3.03 Fundraising

All fundraising activities conducted by or on behalf of the foundation must:

- be truthful,
- accurately describe the organization's activities,
- disclose the organization's name,
- disclose the purpose for which funds are requested,
- disclose the organization's policy with respect to issuing Official Income Tax receipts including any policy on minimum amounts for which a receipt will be issued; and,
- disclose, upon request, whether the individual or entity seeking donations is a volunteer, an employee or contracted third party.

The foundation does not make claims that cannot be upheld or are misleading. The foundation does not exploit our beneficiaries. We are sensitive in describing those we serve (whether using graphics, images or text) and fairly represent their needs and how these needs will be addressed.

Any fundraising materials distributed by or on behalf of the foundation must include our address or other contact information. The foundation does not, directly or indirectly, pay finder's fees, commissions or percentage compensation based on contributions.

Anyone seeking or receiving funds, on behalf of the foundation, whether a volunteer, employee or contracted third party must:

- act with fairness, integrity, and in accordance with all applicable laws;
- cease contacting a prospective donor who states that he/she does not wish to be contacted;
- disclose immediately to the organization any actual or apparent conflict of interest or loyalty; and,
- not accept donations for purposes that are inconsistent with the organization's mission.

The board regularly reviews the cost-effectiveness of the organization's fundraising activities. No more will be spent on administration and fundraising than is required to ensure effective management and resource development.

**Monitoring:** This policy will be reviewed every five years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

**Imagine Canada Standards which align with this policy:**

The above policies align word for word with Standards C6, C7, C8, C9, C10 and C11.

C12 The organization has appropriate fundraising policies (e.g., a gift acceptance policy, a policy on the treatment of restricted or designated gifts, and naming and endowment policies). The relevance and appropriateness of these policies are reviewed every three years by the board.





## Grant Management

### 4.01 Disbursement of Funds

#### Preamble

This policy is designed to allow an outflow for grants while protecting original principal and ensuring fund growth to sustain purchasing power with the rate of inflation. This policy determines the amount of the annual distribution from the permanent endowment funds in accordance with the regulations and guidelines of CRA. The distributions are for charitable grants and administrative fees.

As a general rule, foundations are required to disburse a minimum of 3.5% of the average value of assets held during the previous 24 months.

The Finance Committee recommends the annual disbursement to the Board of Directors at its meeting immediately following the Annual General Meeting (*another option could be upon the completion of the annual financial statements*).

The disbursement will be based on the semi-annual weighted average of the capital fund balance and the four-year average return on the investments.

**Monitoring:** This policy will be reviewed every three years, when regulations change or when there is a significant change in the return on the foundation's investments.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.





## 4.02 Granting

The Grants Committee of the foundation oversees the granting program. The Board approves the level of grants available on an annual basis, based on the recommendations from the Finance Committee. For unrestricted funds the board also approves the grant criteria, application form, deadline, grant assessment process and grantees.

Grants are available only to qualified donees. Nonprofit organizations that are not registered charities are eligible to receive funds only when working in collaboration with a qualified donee and a statement attesting the nature of the collaboration must accompany the grant request. In these instances, the qualified donee is the applicant. Grant recipients are not required to prepare donation receipts to the foundation.

### **Community Grants Program**

The Community Grants Program provides grants with specific and published criteria to qualified donees. The foundation will consult every three years with the community to review and revise, if necessary, the criteria with regard to current community needs and issues.

The Board of Directors actively promotes this program a minimum of 90 days prior to the deadline. Applications will be reviewed by the Grants Committee and assessed against the criteria. Applications received after the deadline date will not be accepted nor assessed. The assessment will be completed within 60 days of receipt of applications. The Grants Committee will recommend to the board a list of qualified donees and the amount of each grant and upon approval, the Board will notify the applicants of its decision within 30 days.

A grant agreement will be created between the foundation and the recipient. The agreement will stipulate how the grant is to be used, based on the information in the grant application. The grants staff member or Grants Committee Chair creates the agreement for each grant. Two signing officers of the applicant sign this agreement. The agreement stipulates the mutually agreed to due date of the final grant agreement. The grants staff member or the Chair of the Grants Committee monitors the final report dates, follows up where necessary, notifies the Executive Director or the Chair of the Grants Committee when the terms of the grant agreement have been met. The Executive Director or the Grants Committee Chair have the authority to extend the grant deadline by up to 12 months. The Executive Director or the Chair of the Grants Committee notifies the Board of Directors when the terms of the agreement have not been met (beyond the 12 month extension) and the Board is responsible for determining the appropriate course of action.

**Grants from Donor Designated, Agency and Donor Advised Funds** These grants are disbursed annually within 120 days of the Annual General Meeting. The recipients of these grants are notified that the grant has come from (name) Fund of the (name) Community Foundation. A grant acknowledgement form accompanies the grant, for the beneficiary to confirm receipt.

### **Grants from Field of Interest Fund**

The board will determine the granting process for disbursements from these funds on a fund by fund basis.





**Monitoring:** This policy will be reviewed every three years.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.





## Grant Management

### 4.03 Spending and Capital Preservation Policy

#### Preamble

The foundation is the steward of endowed funds that were created by gifts from a number of donors. The earnings on the endowed funds are a source of income for the granting program and the administration of the foundation. As these funds are held in perpetuity, the Board of Directors recognizes that the capital in the funds should be protected against the effects of inflation to preserve, as much as possible, the purchasing power of the funds (i.e. maintain value of the funds on an inflation-adjusted basis).

The Board also recognizes that the earnings on the endowed funds fluctuate from year to year. In recognition of these fluctuations and the impact on the annual distribution, there is a need to maintain a reserve of undistributed earnings.

*Annual Distributable Earnings* means that portion of the earnings determined by the Board to be available or required by law for distribution in each year. Earnings are computed in accordance with **subsection 108(3) of Income Tax Act (Canada)** (see Appendix), as amended from time to time. The annual Administrative and Investment Fees shall be disbursed from the Annual Distributable Earnings of the Fund.

#### Statement

Earnings and administrative fees will be allocated to each fund on a monthly basis, commencing in the month following that in which the donation is received. Earnings will be allocated on a prorated basis, based on the value of the fund in relation to the total value of all endowed funds.

The foundation's policy is to optimize the total return and maximize distribution of endowed funds while at the same time ensuring the sensible protection of capital against the effect of inflation. This will be accomplished through preserving original capital, except in cases where the disbursement quota cannot be met through net interest and dividend income. *(Note: Foundations may also add the following clause if included in their deeds of gift: In years where current or accumulated earnings are not sufficient, the distribution may be drawn from the Capital, as defined in the deed, in each fund.)*

The Board will determine annually the distribution of the total annual earnings on the fund and the portions of which to be available to:

- Allocated to Annual Administrative and Investment Fees
- Allocated as the Annual Distributable Earnings
- Held in reserve as earnings for future distribution
- Reinvested back into the capital of each fund based on the balance at the beginning of previous fiscal year.

**Monitoring:** This policy will be reviewed every three years, when regulations change or when there is a significant change in the return on the foundation's investments.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.





### **Appendix to Policy 4.03**

Section 108(3) of the Income Tax Act essentially says the income of a trust is its income computed without reference to the provisions of the Income Tax Act. Income for purposes of the Income Tax Act includes taxable capital gains. Under trust law, all capital growth belongs to the capital beneficiary and is not considered income. In the foundation's case, given the nature of our deed of gifts, which are essentially a trust-like relationship, capital gains are treated as growth in capital and not as earnings.

Black's Law Dictionary defines income as "money or other form of payment that one receives usually or periodically from employment, business, investments, royalties, gifts and the like." Capital is defined as "money or assets invested, or available for investment, in a business; and the total assets of a business, especially those that help generate profits." Therefore the investment income that we earn in the form of dividends (see below for clarification), interest, partnership income would all be considered income. Capital gains reflect a growth in the original investment as opposed to income being disbursed. They are typically only generated when an asset is sold, instead of on an annual or periodic basis like income. Therefore, they are excluded from the legal definition of income.

Generally, dividends are considered a distribution of the share of earnings and therefore, treated as income. There are some exceptions if there is a distribution of capital on or prior to a wind-up. Some foundations have included the following statement in their deed of gifts: "in years where current or accumulated earnings are not sufficient, these amounts [the annual distributable earnings] may be drawn from the capital of the fund". This clause allows the foundations flexibility to access capital gains if the dividends and interest are not sufficient to cover the distributions set by the board.





## General

### 5.01 Special Leadership Initiatives

The community foundation has multiple roles and responsibilities – for fund development, grant making and community leadership. To be effective, we need to ensure that adequate financial and human resources are committed to carry out our responsibilities in each area. This policy recognizes the need to assess existing and new opportunities in our community with regard to foundation resources and strategic priorities.

When the foundation is invited to participate in a community initiative, the Board of Directors must give consideration to the following when making its decision:

- Is initiative consistent with the foundation's mission, vision and strategic priorities?
- Does this initiative advance an opportunity for fund development or granting?
- What is the impact on the foundation's resources if the foundation participates in initiative?
- If initiative requires use of discretionary (unrestricted) funds, would such use have a detrimental effect on Community Grants Program?
- What are the potential risks and benefits (ex. public relations, credibility)?
- Will initiative eventually be weaned from the foundation's participation, and if so, what is the plan?
- How will the success of the initiative be evaluated?
- How urgent is the initiative and what is the timeline?

**Monitoring:** This policy will be reviewed every five years or when there is a significant change in the foundation's unrestricted endowed and/or flow through funds.

**Board Acceptance:** This policy was approved/reaffirmed at the \_\_\_\_\_ Board meeting.

