



POLICY: Funds, Fund Types and Criteria for Naming

POLICY NUMBER: 2.03

ISSUING AUTHORITY:

**Community Foundation of
Portage and District Inc.**

APPROVED:

LAST REVIEWED: February 2023

NEXT REVIEW: February 2026

Purpose:

The purpose of this policy is to provide information to donors about our funds, fund types and naming. CFPD offers individual donors, families, family foundations, businesses, and organizations a variety of ways to fulfill their philanthropic objectives while improving the overall well-being of the community. CFPD specializes in building endowment funds, where the capital is not encroached, and uses the fund earnings to support the ever-changing needs and opportunities of the community.

Policy Statement:

All monies held by CFPD are considered to be part of the general endowment fund. CFPD has a number of types of funds available for our donors to consider. Many of them are open funds where gifts may be made by any interested contributor thereby allowing even modest contributions to be joined with other's gifts for maximum charitable benefit.

CFPD's objectives are very inclusive with grants in the areas of social services, arts and culture, education, medical services, fitness and health, child welfare, youth development and family well-being, environment, and the advancement of other community activities or facilities.

CFPD encourages donors to consider the establishment of undesignated funds where the funds are not restricted to any particular recipient or field. CFPD is then able to react to changing needs in our community with time. Funds are all held in perpetuity.

CFPD will always willingly accept any and all donations directed to the establishment of designated funds. There is a number of funds available where donors have a direct or indirect say in where their monies are distributed.

Donors may name the fund they endow (Named Fund) – for themselves, their family, a family member, a company or a valued friend. Some funds have names that convey special goals or purposes, or hold special meaning to the donor. The criteria for naming funds are identified below for each fund category (minimum \$5000 donation).

The Fund types are as follows:

1. **Undesignated Named Fund.** These are Named funds where the monies are given to the Foundation on the understanding that CFPD Board decides where earnings can be used most effectively each year. Donations to un-designated funds provide the greatest flexibility for CFPD being able to grant to the community's evolving and changing needs. A minimum donation of \$5000 is required to establish a Named Fund within the undesignated category.
2. **Smart and Caring Community Fund.** This is an undesignated fund which is comprised of donations, large and small, from a variety of sources – individuals, corporations and foundations. Donations to this fund provide the greatest flexibility for CFPD to meet the community's greatest needs, as they evolve with time.
3. **Field of Interest Fund.** These funds work much like the undesignated endowment funds, except that donors will identify an area of interest that they would like to target with their support. The donor empowers CFPD's Grants Committee to select worthwhile projects to support within the field of interest identified. A minimum donation of \$5000 is required to establish a Field of Interest Fund. It is also possible to add a Named Fund to an existing Field of Interest Fund, with a minimum donation of \$5000.
4. **Designated Fund.** These funds enable the donor to specify which particular charity or charities they would like to support in perpetuity. A minimum donation of \$5,000 per beneficiary is required to establish a fund.

A designated fund within an established designated fund is an option as well. In this case, the new monies are directed to CFPD to be endowed under the name of the established fund. CFPD will acknowledge and memorialize the new fund within the fund in any CFPD reports. All income from the combined monies of the two funds will be directed to the original Designated Fund group for distribution. It will be incumbent for the group donating the new monies that they establish a fund agreement with the established Designated Fund to receive the portion of income due to them. CFPD will not and can not be responsible for this secondary arrangement.

5. **Awards and Bursary Fund.** This is a type of Designated Fund. The purpose of these funds is to provide assistance and encouragement to promising students as they pursue their post secondary education. Donors are able to direct the criteria for selecting the worthy students and field of studies; these are incorporated into the Fund agreement. CFPD has a specific Awards and Bursary Committee that administers the funds. A minimum donation of \$5000 is required to establish a Named fund. Donors should be cognizant of the average earned returns the funds' need in order to result in a meaningful award. Donors are also encouraged to make the conditions of their fund agreement fairly broad, as tight conditions may prevent the award or bursary from being given in a granting cycle.

6. **Donor Advised Fund.** These funds enable a donor to have ongoing participation in the selection of charities that will benefit from their gift. The donor will be notified of the income from the Fund on an annual basis and with CFPD's help, choose the recipient of the monies. CRA policy requires that the final decision rest with CFPD.

A donor advised fund is considered the most effective alternative to creating a family trust or private foundation. Existing foundations are also able to transfer their assets to CFPD. This allows pooling of investments with those held by CFPD's investment manager in order to maximize returns and reduce administrative costs. A minimum donation of \$25,000 is required to establish a fund.

Upon the demise of the donor(s), the Fund will revert to a Named undesignated Fund, with no restrictions. CFPD will then endeavour to continue to make distributions from the Fund to the next most similar purpose consistent with the donors' initial wishes and actions.

Note: Donors may be aware that certain financial institutions offer commercial gift funds/donor advised funds. While these firms have investment management as their expertise, community foundations such as CFPD offer donors expertise in grant-making, broad community knowledge, as well as strong financial stewardship. These differences are accentuated upon a donor's death where all grant-making will then be controlled by the corporate affiliated foundation, if the donor had made the choice to a community affiliated foundation.

7. **Emerging Fund.** This is a fund where donors can open a fund with an initial donation and a pledge to meet one of the minimum donation levels within five (5) years of the initial gift. If the goal is not met and the donor is still alive, the donor may direct those monies held in the emerging fund to any other fund held by CFPD. Failing that, the monies will be transferred to the Smart and Caring Community Fund, with no restrictions.
8. **CFPD Administrative Endowment Fund.** The purpose of this fund is to offset the costs of operating the Foundation. Administrative costs are a reality that every foundation endures, with the hope that eventually they can be offset by the proceeds of this fund. Donors can establish a Named Fund within this fund, with a minimum donation of \$5,000.
9. **Agency Fund.** These funds can be created on behalf of registered charities. The permanently endowed Fund then provides the charity with a source of annual income for operations or programs. The Fund gives the charity freedom from investment responsibility and the confidence of knowing that a permanent foundation is in place to professionally administer the charity's endowment. CFPD involvement provides added reassurance to donors that their gifts will be held in perpetuity for exclusive use by the agency or for a similar purpose should the agency cease to exist.

By transferring ownership to CFPD, the Fund is protected from encroachment by future agency boards. Transfer of capital funds also removes the Fund from the agency's financial statement which may eliminate misunderstanding about the actual

funds available to the agency for immediate use. The disadvantage is that the Fund is non-encroachable by the agency, even during times of financial need.

Assets are pooled with investments with CFPD's investment manager in order to maximize returns and reduce administrative costs. Once established, the charity will be able to encourage their donors to contribute to their Agency Endowment Fund. The agency is responsible for issuing their own tax receipt on monies directly received. CFPD may issue receipts if the Fund is considered to be a fund open to any donor. A minimum of \$10,000 is required to establish an agency fund.

10. **Flow-through Fund.** This is a **non-endowed** fund whereby the monies are received by CFPD and then provided to a designated recipient(s) on behalf of the donor. The fund agreement with CFPD must be consistent with specific CRA rules regulating such arrangements. An administrative fee will be charged by CFPD on these funds. The Board will consider proposals for a flow-through fund on a case by case basis. Both charitable and non-charitable organizations may be considered for such an arrangement. There must be a demonstrated advantage to CFPD and to the community at large. The stated goal of the fund must be consistent with the mission, vision and objects of CFPD.

Flow-through funds do not help to create or grow the permanent endowment of CFPD in a direct way but may help to raise the profile of CFPD in the community and increase endowment donations as a result. Flow-through funds may be useful in supporting creative funding solutions and a sense of partnership with certain projects requiring monies that cannot be fully funded through the regular granting process.

Terms and Conditions.

CFPD will provide fund services subject to the following general terms and conditions:

- All Funds are permanently endowed to CFPD where the monies are kept in perpetuity. The income generated is then used to fund various grants including awards and bursaries as directed by the fund agreements (see "Granting" policy and "Awards and Bursaries" policy). The exception to this rule is flow-through funds.
- Recipients of monies from all fund types must have charitable status as defined by the Canada Revenue Agency (CRA). Creation of flow-through funds with organizations that do not have charitable status will be considered.
- The establishment of a specific Fund must be in accordance with CFPD's "Gift Acceptance" policy.
- Fund agreements must be congruent with CFPD's objects listed above.
- Fund agreements will be required to establish all Funds.
- The fund agreement entered into shall be in a substantive similar form to the Fund Agreement template approved by the Board.
- The Fund Agreement may be required to be vetted by CFPD's legal counsel prior to final signatures.
- Proposed Agency Funds and Flow-through Funds must be presented to and approved by the Board prior to drafting a fund agreement. If the Board approves the

establishment of such a fund, then the final draft Fund Agreement must be presented to and approved by the Board prior to final signatures.

- Minimum amounts have been established for each Fund type to act as a guide.
- Fund agreements must indicate whether the Fund is an open or closed fund to other potential contributors.
- Fund agreements can be amended during the lifetime of the donor (must be all of original signatories).
- Tax receipts will be issued by CFPD for any contribution(s) to an endowed fund, unless the holder of the Fund is a charitable organization who received the contributions directly (see "Donation Recording and Receipting" policy).
- If CFPD ceases to exist, the Fund and the income thereof will be dealt with as provided in CFPD By-laws.

Responsibility: Review and revision of this policy, if required, with subsequent recommendation to the Board for approval.