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## Morden Area Foundation – Policies

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### **Committee Structure and Duties**

#### *Finance Committee*

- Make a yearly budget
- Review investments

#### *Grants Committee*

- Review timing of grants and follow up for publicity
- Review guidelines for granting
- Review applications and make recommendations to the Board
- Assess needs in the community.

#### *Marketing/Events Committee*

- Promote ideas, philosophy
- Put together the Annual Report.

*The Executive Director is to report to the Finance Committee and be secretarial support to all committees.*

### **Conflict of Interest Policy:**

#### **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:
  - a. The Morden Area 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 stakeholder.

b. The primary purpose of a grant from the Morden Area Foundation to a qualified grantee is made to support a transaction with such a business enterprise.

2. An organization seeking funding or other support in which:

a. A conflict of interest arises in a situation in which the Morden Area Foundation is considering or makes a grant to a qualified donee of which the Morden Area 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.

b. 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.

**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 by board resolution on July 8<sup>th</sup>, 2009.

## **Funds Policy:**

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

#### **Preamble**

The Morden Area Foundation gives individual donors, family foundations, businesses and charitable organizations a number of ways to fulfill their philanthropic objectives while supporting the well being 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. All 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 establishing designated and advised 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.

Fund agreements will be required to establish all funds. The board will approve templates for fund agreements for each type of fund. The board must approve any changes to the clauses of these templates. The Board's legal counsel will review all fund agreements prior to having the agreement signed by the donor and the board. The Board will pass a resolution confirming the terms of each fund agreement.

Fund agreements can be amended during the lifetime of the donor.

#### **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 \$2,500.

## **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. The donor empowers the Morden Area Foundation to select worthwhile projects to support. The minimum donation to establish a Field of Interest Fund is \$10,000. A Named Fund can be established within an existing Field of Interest Fund with a \$5,000 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 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 \$20,000 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 \$10,000.

## **Charitable Organization (Agency) Endowment Funds**

These funds can be created on behalf of registered charities. The foundation accepts the investment responsibility and gives donors the confidence of knowing that a permanent foundation is in place to professionally administer the charity's endowment. The organization receives the distributable income on an annual basis in perpetuity. Once established, the charity will encourage their donors to contribute to their endowment fund. The minimum donation to establish this type of fund is \$20,000.

## **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 by Canada Revenue Agency.

## **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 \$2,500.

## **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) circumstances in accordance with regulations provided by the Canada Revenue Agency (i.e. by the fiscal year end following the year in

which the gift was received). An administrative fee (currently 1%) will be charged on these funds. 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.

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

**Board Acceptance:** approved by board resolution July 8<sup>th</sup>, 2009

Reviewed and approved by board resolution Jan 13<sup>th</sup>, 2010

## Investment Policy

Investment policy is the responsibility of the Foundation, separate from the Investment operations which are controlled by the Investment Manager. This separation is essential if the proper evaluation of the Manager is to be accomplished. The purpose of the Investment Policy is to establish useful guidelines for the Investment Manager that are appropriate to the realities of both the foundation objectives and financial markets.

Investment philosophy priorities:

- a. The Primary investment philosophy of the MAF is safety of principal without undue risk of capital.
- b. Investment returns will be sought through income and capital appreciation. The long-term growth of capital is considered to be of greater importance than short-term market gains.
- c. It is necessary that the capital be defended against inflation, by retention of a portion of its total return.

investment manager:

MAF will retain the services of professional investment managers who will have full discretion in managing and selecting investments, subject to the general guidelines contained herein. These guidelines are designed to achieve reasonable diversification and thereby reduce risk associated with undue concentration and to ensure that the fund is invested in good quality securities.

### ***Investment Advisory Committee:***

The Finance Committee is appointed annually by the Board and constitutes the Investment Advisory Committee. The purpose of the Committee is to act as a liaison between the Board and the investment managers. Responsibilities of the Investment Advisory Committee are:

- a) To continually monitor the actions of the investment managers to ensure compliance with the Foundation Investment policies and guidelines.
- b) To arrange for reports by the investment managers on the performance of the Foundation's Investment Portfolio on a quarterly basis.
- c) To define an acceptable benchmark and monitor the performance of the investment managers.

Eligible Investments:

- a. Equities
  - I. Investment in the shares of any single company should not exceed 10% of the total Equity value of the portfolio at the time of purchase.
  - II. Equity securities shall be listed on a major stock exchange.
  - III. Equities shall constitute up to a maximum of 30% of the total portfolio.
- b. Bonds
  - I. Investment in the bonds or debentures of a single issuer shall not exceed 5% of the portfolio or \$50,000, whichever is greater, at the time of purchase with the exception of Government of Canada, Provincial, and Municipal issues, and their guarantees.
  - II. At the time of purchase bonds must be rated at least A or equivalent by an independent bond rating agency. Disposition on subsequent downgrading will be at the discretion of the investment managers.
- c. Short-term Investments, Money Market Securities

Short-term investments with a term of maturity up to one year that are eligible for investment include:

- Government of Canada and provincial treasury bills
- U.S. treasury bills and notes
  - d. Cash and Demand Deposits
  - e. Foreign Securities
- Investment in securities other than U.S. or Canadian is limited to 5% of the portfolio.

Asset mix will be re-balanced to the target ratio quarterly.

***Investment Objectives:***

The performance of the portfolio will be assessed in comparison to a benchmark of financial market indices that reflect a portfolio mix consistent with the asset mix described below. The rate of return will be considered over a moving four-year cycle. Calculations will include realized and unrealized capital gains or losses, plus income from all sources.

It is the long-term objective of the Foundation to achieve a rate of return on its portfolio of investments at least equal to the rate earned on a composite portfolio invested as follows: 25% in the TSE 100 Index, and 75% in Canadian 5 year Bonds.

***Conflicts of Interest:***

No individual or group associated with the Foundation and its agents, including an immediate family member, should be in a position to benefit, or be perceived by a reasonable observer to be in a position to benefit, directly or indirectly, from an actual or contemplated investment transaction of the Foundation's portfolio. If such a situation arises, the individual or group must immediately disclose the conflict of interest, in writing, to the Foundation Chairperson, and remove themselves from the decision making process.

Notwithstanding the above, it is understood that individuals or groups may, from time to time, make personal investment decisions, which are arrived at independently from the activities of the Foundation. Provided the potential for a conflict of interest situation is monitored and addressed where necessary, these transactions may be excluded from the requirements of the preceding paragraph.

**Review of Policy:**

This policy and its specific contents shall be reviewed on an annual basis, or as deemed necessary by the Investment Advisory Committee, to ensure its ongoing relevance and consistency with the overall objectives of the Morden Area Foundation.

**Board Acceptance:** This policy was drafted October 8, 2008, approved by board resolution July 8<sup>th</sup>, 2009, and revised and approved April 13, 2011.

**NOTES:**

**Disbursement Quota (as per Revenue Canada)** is calculated by formula, including two main components:

- 3.5% of the value of investment assets, calculated as the average market value of assets held in the 24 months preceding the current fiscal year.

- 80% of the non-capital donations received in the prior year, i.e. gifts received (for which an income tax receipt was issued) less capital gifts. Capital gifts are bequests and gifts received subject to the direction of the donor that the gift be held "for at least 10 years."

**Grant application review dates: Spring: April 1, June: Scholarships, Fall: October 1**

**Grant Presentation:**

One recognition event to be held in the fall. Scholarships to be presented at Graduation in June.

**Marketing and Promotion:**

- Organizations will be contacted to solicit applications or knowledge of projects needed.
- Worthwhile projects will be promoted.
- Photo presentations will be published whenever possible.



## **Scholarship Funds Policy:**

Scholarship Funds are established by an individual donor, a group or an organization through donations, fundraising efforts or a bequest.

Scholarship Funds are permanently endowed funds established with the Morden Area Foundation. The amount available annually, or otherwise directed, for awards is determined in accordance with the spending policy of the foundation.

The role of the Morden Area Foundation is to ensure that the fund's awards are distributed according to the criteria developed when the fund was established and that awards conform to the donor's wishes. The sponsoring person(s), school, or organization is responsible for accepting applications, selecting award recipients and advising the Foundation of these selections.

The minimum amount required to establish a Scholarship Fund is \$10,000.

**Board Acceptance:** This policy was approved by board resolution July 8<sup>th</sup>, 2009, and reviewed (and the word person(s) added) December 8, 2010 .

## Spending Policy Guideline:

It is the long term objective of The Morden Area Foundation to make available for annual grant making activities an amount of 5% of the average of the three preceding year's market value of each fund included in the total endowed funds of the Foundation. The average market value is calculated on the basis of 12 quarters.

The Morden Area Foundation may annually recoup a portion of its operating expenses as set out in The Morden Area Foundation's Spending Policy as amended from time to time. That amount shall be determined by The Board of Directors of The Morden Area Foundation, taking into account, the actual annual costs incurred in operating The Morden Area Foundation; provided that in no case shall the amount charged be greater than one percent (1%) of the fiscal year end market value of an endowment fund.

The Morden Area Foundation uses 1993 as a base year to calculate an inflation adjustment for each successive year's capital contributions to the total endowed funds. Thus, in addition to knowing contributed capital, The Morden Area Foundation monitors an inflation protected target which essentially is required to protect the purchasing power of the original gifts. The difference between the inflation protected target and the actual market value is monitored and if this excess deteriorates or improves on an average three year basis, the spending policy calculation will be adjusted upward or downward in accordance with the following:

<b>Average excess between inflation projected target &amp; market value over 3 years</b>	<b>Amount available for annual grant making</b>	<b>Inflation protected target</b>
10% or more	5.0% average market value	100%
9% - 9.9%	4.9% average market value	98%
8% - 8.9%	4.8% average market value	96%
7% - 7.9%	4.7% average market value	94%
6% - 6.9%	4.6% average market value	92%
5% - 5.9%	4.5% average market value	90%
4% - 4.9%	4.4% average market value	88%
3% - 3.9%	4.3% average market value	86%
2% - 2.9%	4.2% average market value	84%
1% - 1.9%	4.1% average market value	82%
0% - 0.9%	4.0% average market value	80%

less than 0%

Policy Review

Any adjustment to grant making will not be greater than 0.2% in any given year, and any adjustment to the inflation protected target will not be greater than 4% in any given year. The spending for the next fiscal year will be determined in September. When any document cites the Spending Policy of The Morden Area Foundation, it is referring to the above formula. The CRA requires that endowments “spend” at least 3.5% annually. In situations where it is appropriate, taking into account donor preference, longer term Agency benefit and administrative circumstances, The Foundation may use the stipulated CRA minimum rate as an approved alternate to the Spending Policy.

The spending policy of The Morden Area Foundation may be amended from time to time.

**Board Acceptance:** This policy was approved by board resolution 8<sup>th</sup>, 2009.

## Executive Director Job Description

### Administration

- Maintain the office
- Serve as secretary for meetings, keep minutes and distribute.
- Maintain familiarity with legislation governing Foundations
- Attend educational and training conferences as mutually agreed upon with the Board

### Finances

- Maintain current financial records

### Fund development

- Explore and pursue opportunities for fund development
- Provide support for the Board of Directors in its fund development activities.

### Public Relations

- Organize the Annual Awards Dinner, luncheon series and other special events requested by the Board
- Explore and pursue public relations activities with the objective of raising awareness of the Foundation, increasing community support and donations to the endowment fund
- Make presentations to organizations wishing to establish funds in the Foundation, or scholarships