



The Community Foundation – what is it?

A Community Foundation is a collection of endowed funds established by individuals and corporations – a community of donors – to enhance the quality of life in a particular area. These funds are pooled and a board of directors made up of community leaders supervises the resulting investment portfolio. The income from the portfolio is made available for distribution to support charitable activities in the local community.

The first Canadian community foundation was created in 1921 in Winnipeg. By 2005, Canada had approximately 150 community foundations holding aggregated assets of \$2 billion. The grants from the investment income are affecting millions of Canadian lives. Community foundations are the fastest growing, most dynamic form of philanthropy in North America.

How did the Community Foundation of Medicine Hat & Southeastern Alberta get started?

The original idea for the Community Foundation of Medicine Hat & Southeastern Alberta came from a local area rancher, Mr. John P. Ignatius, who had supported the Lethbridge Community Foundation and sought to have a local organization provide similar community benefits. John contacted several close friends and the long road to establishing a foundation for the people of South Eastern Alberta began. With the assistance of dedicated individuals, an Act of the Legislature of Alberta, dated June 26, 1992, established the Medicine Hat Community Foundation and this was later amended on June 2nd, 2005 to become the Community Foundation of Medicine Hat & Southeastern Alberta.

To help the Foundation get started, John personally donated \$130,000, believing that the Foundation's development would accelerate to rival that of other major cities in Alberta. John believed that the people of South Eastern Alberta would come to the Foundation with charitable and philanthropic gifts and bequests by will, using the Foundation as a vehicle for carrying out their charitable intentions, and thus benefit the community as a whole.

Upon his passing January 8th, 2000, John was true to his beliefs. He left the Foundation and the people of South Eastern Alberta more than \$2 million, securing the Foundation's ability to care for itself and the people it serves.

What is the role of the Community Foundation?

The Foundation has three main roles:

We offer a wide range of giving options, professional management and protection of the integrity of the donors' gifts into perpetuity.

We are a grant making organization with a very diverse, broad reach mandate. We offer a variety of donor directed options for specific grant making. In addition, through our undesignated funds, our broad view of community needs and opportunities we are uniquely placed to make grants to a wide range of charities throughout South Eastern Alberta.

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As knowledgeable partners in community life we are in a position to help our citizens fulfill their charitable goals and offer leadership to the community on issues of broad community concern.

These roles allow the Community Foundation to be a catalyst and resource for philanthropy throughout the region. It is a vehicle for generous citizens who want to give something back to the community both during and after their own lifetime.

How does the Community Foundation work?

The Foundation is governed by a volunteer Board appointed by a Committee of Nominators, which is made up of the Mayor of the City of Medicine Hat, the Senior Judge of the Provincial Court, the President of the Medicine Hat & District Chamber of Commerce and the President of the Medicine Hat & District Labour Council and representative of The Mayors and Reeves Association of Southeastern Alberta.

Directors typically serve a three-year term to a maximum of two terms. The Board governs the Foundation within the regulations of the Community Foundation Acts and those of Canada Revenue Agency relating to public foundations.

Investment management services are professionally provided by Jarislowsky Fraser Limited, within the policy guidelines established by the Board. Performance is monitored through regular meetings of the investment committee and with the investment managers when required. RBC Dexia Investor services act as the custodian.

The Foundation is administered by professional staff. Operating expenses are paid from administrative fees, and our own operating endowment fund established from gifts designated by donors to help reduce the impact on endowment income.

What is a Fund in the Foundation?

A fund is the term used to describe a donor's contribution. That contribution will, in the majority of cases, be held in perpetuity in a permanent endowment fund. This means that the capital will not be touched but will be held permanently and only the income made available for distribution.

Funds can be earmarked in a number of ways:

Community Fund permits the Foundation to decide where the income can be used most effectively each year to meet community needs as they change from generation to generation. *Designated Funds* are Funds under which the donor has specified one or more charitable organizations to be the perpetual beneficiaries of the annual income from the Fund. The minimum for this type of fund is \$5,000.

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Field of Interest Funds are those where the donor can direct the earnings from a Fund to a particular area of interest such as mental health, performing arts, children-at-risk, etc. The minimum for this type of fund is \$10,000.

Donor Advised Funds are those where the donor retains the right to advise the Foundation each year which charitable organizations are to benefit from the fund's earnings. The minimum for this type of fund is \$15,000. Canada Customs & Revenue Agency policy requires that the final decision rest with the Foundation, however, the Foundation will honour the donor's wishes as long as the organization is registered as a Qualified Donee with Canada Customs and Revenue Agency.

Named Funds are Funds established to honour a person or a family. They can be established within the Community Fund, as a Field of Interest Fund, as a Designated Fund, or as a Donor Advised Fund. The minimum for this type of fund is \$1,000.

Pledged Funds will become named funds once the donor has reached the minimum fund threshold. A pledge agreement is drawn up with the donor to establish the length of time needed to reach the respective threshold. The minimum for this type of fund is \$500.

For investment purposes all funds are pooled together. However as part of the overall stewardship of the donations placed in the Foundation's care all funds are accounted for separately. Investment income is calculated quarterly and allocated proportionately to each fund. A fund begins to benefit from pooled income from the first full quarter but a distribution is not made until the donation has been invested for a full year.

How is a fund established?

This is a simple. The process is initiated by advising the Foundation of your wish to establish a fund. The information required includes the name of the proposed fund, its purpose, and whether it is to be open to other donors, or closed.

We discuss the many options available and then assist with the preparation of a fund agreement. This agreement is like a contract tailored to your interests and needs, and after Board approval is signed by all parties. Any desired restrictions must be placed on the fund at the time of its creation. The fund can be added to at any time, but the purpose or purposes must remain consistent with the stipulations in the original agreement.

Should the donor's interests change over time, one or more additional funds can be created to achieve alternative charitable purposes. A gift agreement will be created for each fund. However it must also be remembered that the long passage of time can outdate a fund's purpose in the rapidly changing times in which we live. A fund for a disease now conquered, or for an organization that has ceased to exist are but 2 examples. The Board of Directors has the authority to change the purpose of a fund so as to carry on the donor's intent if, through a change in circumstances, the donor's original instructions cannot be carried out.

Certain minimum fund levels apply due to the fact that an endowment fund is created as a permanent

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entity and the degree of complexity inherent in certain fund types. The minimum can be achieved over an agreed period of time. The Board has established the following minimum fund levels:

Named Fund within the Community Fund	\$1,000
Designated Fund	\$5,000
Field Of Interest Fund	\$10,000
Donor Advised Fund	\$15,000

A donor may establish a Pledged Fund with a minimum of \$500 with a pledge to increase the value to one of the above limits over an agreed period of time.

Funds can be created with tax-exempt donations made in any appropriate form, including cash, securities, real estate or life insurance.

Can donors combine their gifts?

Gifts may be combined into a single fund. Donations are welcomed for the Community Fund (the general endowment fund), as well as for some existing Field of Interest Funds and Designated Funds.

What fees are charged?

There is no charge to set up a fund in the Community Foundation.

The annual administrative fee charged to all funds is 1%. This covers most of the Foundation's administration costs – the investment management fee and custodial fee are direct charges to investment income. The Foundation also has its own operating endowment fund income which helps to offset administration costs.

How are grants made?

The Foundation has two granting cycles each year. An application process is operated and all potential applicants complete a standard application form. The grants committee is made up of Board Members and a group of community volunteers. This committee reviews all the applications and makes their own individual decisions basing their judgements on both objective and subjective criteria. They grade each application on a points system and then meet to jointly agree those applications that have the greatest priority for the community and are to be funded. The process may include presentations from applicants or site visits by committee members.

All grants are accompanied by an agreement that details the conditions under which the funds are being

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awarded. All grant recipients are required to provide details of their evaluation process, present final reports and to include impact statements. This allows the Foundation to have some sense of the overall effect these grants are making for the entire community.

What are the advantages of using a Community Foundation?

Simplicity

A gift to the Community Foundation simplifies charitable giving. Several charitable organizations or causes can be provided for with a single gift. For example, a life insurance policy could establish a permanent capital fund in the name of the donor(s) and the annual earnings divided into thirds between a school or college, Big Brothers/Big Sisters, and disadvantaged children.

Flexibility

Almost any charitable intent can be realized, by choosing from among the endowment fund types offered by the Foundation. Furthermore, the range of charitable possibilities is very broad, encompassing: arts, culture, heritage, community festivals, social services, healthcare, education, nature, recreation and sports.

Permanence and Continuity

The donor is assured that the fund will remain intact in perpetuity. The Foundation has a Preservation of Capital Policy, which ensures that the original gift is protected. Only the annual earnings can be spent.

Recognition

All donors receive recognition in our Annual Report and other publications. In addition, all grants from a fund established by the donor are identified to the recipients by the name given to the fund. Of course, if a donor requests anonymity the Foundation will give assurance that such wishes are respected.

Investment Expertise

The Foundation sets a conservative investment guideline and contracts with a professional investment management service, requiring and expecting an excellent return on investment at the lowest cost.

Tax Benefits

The Foundation qualifies as a registered charity under the Income Tax Act. Thus, gifts made at any time will result in important income tax advantages. Gifts of capital property qualify for a reduced capital gains inclusion rate of only 25%. The usual rate is 50%. The reduced rate is not available for the same gift given to a Private Foundation.

Cost Effective

With an overall administrative fee of only 0.75%, the Foundation provides an attractive alternative to those considering the establishment of a private foundation.

Community Effectiveness

The Foundation, through its active role in the community, and through its rigorous grant process, has proven to make significant differences in the community with the grants it has made.

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