



We gratefully acknowledge the support of Columbia Basin
Trust in developing this handbook.

Handbook for Affiliates

Community Fund of North Kootenay Lake Society (CFNKLS) Edition

(Updated May 2018)

1. About Osprey Community Foundation

www.ospreycommunityfoundation

Osprey Community Foundation, based in Nelson, is a public foundation and federally-incorporated not-for-profit corporation under the “Canada Not-for-Profit Corporations Act.” It is also a registered charity. It was established in 2000. It is governed by a board of 9-15 directors, and its policies are available on its website, along with its latest audited financial statements.

Osprey’s capital endowment market value is \$9 million and permanently invested with the Vancouver Foundation. Osprey has over 50 individual funds in all, made up of unrestricted community funds, designated funds, and donor-directed funds.

Osprey has a small office with two part-time staff: Executive Director Tina Choi (ED@ospreycommunityfoundation.ca) and Operations Assistant Rachel Nissenbaum (admin@ospreycommunityfoundation.ca). Board members are listed on our website.

The office is at B8 – 625 Front Street, Nelson, V1L 4B6 (corner of Front and Hall streets, basement level). Phone: 250-352-3643. Fax: 352-3653. We don’t have set office hours, but we respond promptly to enquiries and are always happy to arrange a time if you’d like to come by.

2. About Osprey’s Affiliate Community Funds

Osprey has three affiliate community funds ‘under its wing’ serving neighbouring areas:

- North Kootenay Lake (Kaslo and RDCK Area D),
- Salmo Valley (Salmo, Ymir and RDCK Area G), and
- Slokan Valley (Slokan, New Denver, Silvertown, RDCK Area H as far north as Hills).

Affiliate Funds (that’s what we call them, although in the community foundation movement generally they are usually called “Community Funds”) provide a means for smaller, outlying communities to grow local funds and disburse grants to local charities – in other words, to act like community foundations without having to actually become one. The regulatory and administrative hurdles involved in establishing and maintaining a community foundation often exceed the resources of a small community.

Instead, Osprey's Affiliate Funds can focus on local fund development and grant making, and take advantage of the financial and administrative infrastructure Osprey can provide.

From Osprey's perspective, Affiliate Funds are essentially donor-advised funds. The donor (the community) has a fund(s) to which local individuals and businesses contribute, and each year the community recommends to Osprey where the income from that fund should be granted.

From a regulatory point of view (e.g., CRA, Corporations Canada), Osprey bears the financial and legal responsibility for all of its charitable activities, including those carried out by its affiliates. The buck stops at the community foundation. Osprey:

- accepts the donations (which is why cheques must be made out to "Osprey Community Foundation")
- issues charitable tax receipts
- makes investment decisions
- tracks individual fund balances
- calculates income available for granting from each fund
- has final approval over all granting recommendations
- issues grant cheques
- ensures legal and regulatory compliance with CRA and Industry Canada, and files regulatory reports such as the T3010 charities return
- creates bylaws and policies
- pays and prepares for an annual audit, and issues annual financial statements
- pays the annual Community Foundations of Canada membership fee

... and so on. Osprey also assumes the costs of an office and staff to carry out its operations, and applies for outside grants to subsidize its operations.

It is probably apparent from the above list why several communities have chosen to establish affiliate funds with Osprey rather than set up their own community foundations. Annual audit costs alone exceed \$6000. Just the same, the affiliates have the option of leaving the nest and setting up their own community foundations at some time in the future, if they believe that's a better option for them.

In return for its administrative support, Osprey receives an annual administration fee on the endowed funds it holds on behalf of its affiliates – the same fee that is levied on all of its funds. It is calculated as a percentage of the market value of the fund. Currently (2018) this fee is 0.625%.

3. About Community Foundations of Canada

www.communityfoundations.ca

Osprey Community Foundation is one of 191 members of Community Foundations of Canada. The annual membership fee is about \$450. This umbrella organization provides a wealth of resources and support to its community foundation members – conferences, webinars, advice, and a website full of

resources (see “Foundation Development/Resources”). CFC also runs various national programs, some of which Osprey chooses to participate in. Every two years there is a national conference (in May 2019 it will be held in Victoria). These conferences are usually excellent, though expensive; sometimes there are scholarships or other financial supports to help members attend. The Vancouver Foundation also holds provincial and regional gatherings of community foundations, and these are well worth attending (and often subsidized by VF).

4. About the Community Fund of North Kootenay Lake Society

a. History and Relationship with Osprey

In 2004, an ad hoc committee on the north arm of Kootenay Lake starting working to establish a community foundation serving Kaslo and RDCK Area D. After realising that its small population did not have the resources and volunteer support to administer a stand-alone foundation, an agreement was made with Osprey Community Foundation to operate as an advisory committee for an affiliate fund within Osprey. (See agreement in Appendices).

The decision was also influenced by the fact that the McKinnon family had already established an endowment within Osprey for the benefit of Kaslo and area.

In 2010, Kootenay Savings Community Foundation decided to donate significant funds to community foundations serving communities where it had branches, such as Kaslo. It signed an agreement with Osprey to establish CFNKLS’s Kootenay Savings Community Fund (see Appendices).

b. Funds

CFNKLS has seven funds that have been established with the Osprey Community Foundation. As of **December 2017**, the total of all CFNKLS’s fund was just over **\$1 million**.

General Fund: This is a community fund that can be used for unrestricted granting.

* **Kootenay Savings Community Fund:** An endowed fund established through a gift from Kootenay Savings Community Foundation in 2011. (see Appendices). Disbursements from this Fund can also be used for unrestricted granting.

Field-of Interest Funds:

- **Seniors**
- **Environment**
- **Child, Youth & Family**
- **Arts & Culture**

McKinnon Family Fund: A named, designated fund established by the McKinnon family. Each year, 50% of the disbursement goes towards the care of Kaslo area residents and to the local hospital for patient

comfort and activities, 25% for the Kaslo library, and 25% to fund a bursary for a student pursuing a vocational trade

* In addition to its endowed donations, Kootenay Savings Community Foundation has from time to time make “one-time” flow-through donations to CFNKLS for immediate granting. KSCF has not made any commitment to additional donations. CFNKLS may use a portion of the flow-through donation for its administration.

Kootenay Savings Community Foundation creates a Gift Agreement each time it makes a further donation. Osprey signs this, as the legal recipient of the funds and issuer of grant cheques on CFNKLS’s behalf.

However the Gift Agreement also specifies that KSCF wants to receive notification and acknowledgement for grants awarded from these donated funds, and Osprey expects that this recognition will be done at the local level:

“The Kootenay Savings Community Foundation will receive notification each time a grant is awarded as a result of the noted donation.”

and

“For recognition purposes, all grants disbursed from the fund should be identified as being made possible as a result of a donation made by the Kootenay Savings Community Foundation.”

Affiliates should liaise with Kootenay Savings to let them know about the grants they’ve been able to make thanks to their contributions, and the impact of those grants in the community. Share the good stories with them. Affiliates should set up photo opportunities, mention Kootenay Savings in their news releases about grants, and generally find ways to publicly acknowledge the significant contributions of this community partner.

Contact information: Aron Burke: Aron.Burke@kscu.com

5. Growing your Community Fund

A community fund, like a community foundation, is both a catalyst and a resource for local philanthropy. It is a vehicle for generous citizens who want to give something back to their community both during and after their own lifetime.

a. Fund development strategies:

There is no one strategy for marketing and growing your community fund. You can find a great deal of material on the CFC website, including the Fund Development Manual, which is an excellent read. You will want to decide on your own plan, but here are a few suggestions from Osprey’s experience:

Fund development versus fundraising: We don't generally compete with other fundraising charities for the small \$20 donations. Instead, we work to establish relationships with donors interested in larger, more significant gifts that leave a legacy for the community. Sometimes, however, a small donation can lead to a larger one down the road.

Raising awareness: The first step is to raise awareness about the community fund in your communities, and to build a level of trust. Then, when an opportunity arises, the community will know that you are the vehicle for local philanthropy. Be passionate about why a community foundation matters. Publicize the impact of your grants, and your major donations. Tell human stories that illustrate the community benefit. Partner with your local media to get the word out. The payback may not happen for years, so be patient. Think long term.

Personal touch: One big advantage we have in our small communities is that we are able to talk one-on-one with potential donors. We can give presentations to local groups, set up displays at local events, talk to our neighbours, etc. People are more likely to give when there is a personal connection, and when you share your passion with them.

Planned giving and working with financial advisors: It is important to make sure that local financial advisors, lawyers and others know that your area has a Community Fund, and that their clients can leave bequests, **gifts of life insurance** and other gifts to Osprey for the benefit of your community. At most community foundations, estate gifts are a significant contributor to endowment growth. Many of your local residents likely use advisors based in Nelson, so Osprey will ensure that when it engages with local professional advisors, it includes information about its affiliate funds.

How community foundations are different: Three ways to distinguish your community fund from the other charities that exist in your area:

- You are not in competition. Instead, community funds provide support for charitable organizations working in your area.
- You are 'all about community.' Your broader mandate strengthens the wider community, not just one facet of it such as arts or sports.
- You build endowments, which leave a legacy that will benefit the community forever. One metaphor that usually resonates is that donors are planting apple trees. Those trees will never be cut down, and the harvest will be available year after year.

Financial considerations: Donors are potentially moved to give because of the stories you tell, and because they have a personal connection to the cause. Financial considerations such as the charitable tax receipt or the capital gains tax exemption on gifts of appreciated securities rank low on the motivations for giving, but may be an incentive for some donors.

Administration fees: A community foundation is different from other charities. We take NO administration fee off the donations that come to us and are endowed. Instead, we take a small amount from the annual disbursement. The Vancouver Foundation also charges an annual management and

administration fee on the market value of the endowed funds, which is taken off the income before it is disbursed.

Investments: By investing with the Vancouver Foundation, we become part of a larger, \$1 billion plus pool. We currently have money in both the original fund and a smaller socially responsible fund.

Annual Disbursements: The Vancouver Foundation retains some earnings for inflation protection, to create a cushion against future earning fluctuations, and for its management and administration fees. The net disbursement varies with market conditions, but Vancouver Foundation's goal is about 4% and it currently (2020) averages about 3.9% for the two funds combined.

b. Accepting charitable donations

Donations can be accepted in cash, by cheque, or online through our website via PayPal (which takes regular credit card payments). **Cheques should be made out to "Osprey Community Foundation"** (NOT to CFNKLS), but donors can write "CFNKLS" and the name of the fund on the memo line.

Procedure: However they arrive, donations for CFNKLS are deposited into our account and credited to your funds, and we issue a charitable tax receipt along with a thank you note to the donor. We also send you an email so you know about the donation (and can thank the donor).

We will let you know your current fund balance after our year end (December 31st), but you can also ask at any time. We transfer donations from our local account to our permanently endowed agency fund with the Vancouver Foundation on a quarterly basis.

Endowment Direction Form: All donations must be accompanied by a donations form or "Endowment Direction Form". CFNKLS has its own form, but there is also one on Osprey's website, although it's a bit more complex since it includes all of our >50 funds. This form provides us with the information CRA requires: donor's name and address (required for the charitable tax receipt), year of donation, direction (name of the fund the donor is supporting), and a signature. The signature confirms that the donor gives us permission to hold and invest the funds permanently, rather than immediately disbursing them to carry out charitable activities.

'Gift' or memorial donations: At a donor's request, Osprey can provide a gift card that we will send to another person, such as the family of a deceased, to let them know that the donor has provided a gift or memorial donation to Osprey on their behalf.

Monthly donations: We can accept automatic monthly donations. The donor will need to provide a void cheque as well as the Endowment Direction Form so that we can arrange to have the monthly PAD (Pre-Authorized Deposits) paid into Osprey's account at the Nelson & District Credit Union. It is much easier for our administrative tracking if the donation is for an unusual amount on an unusual day of the

month - for example, for \$29.96 on the 19th day of each month rather than \$30 on the 1st of each month. The donor can contact Osprey at any time to cancel or amend these monthly donations. Monthly credit card donations can also be set up on our website through Paypal.

Donations over \$2000: CFNKLS can accept a donation if it is under \$2000 and has no apparent conflict with Osprey policies. All gifts over \$2000 must be approved by Osprey's board before a tax receipt is issued.

PayPal: Donors can use credit cards to make online donations via PayPal. (Or they can use a PayPal account if they have one, but it's not necessary.). Our website includes a separate Donate page for each Affiliate Fund with a separate PayPal button for online donations. The idea is that you can, if you wish, set up a link directly from your website to the donor page for your fund on our website. Donors will see the name of your fund there, and be reassured that they are donating to the right place. We will contact donors to confirm their donations before we issue charitable receipts if there is any doubt about their intentions. PayPal's transaction fees are currently absorbed by Osprey as the cost of doing business, and the donor is receipted for the full amount.

Canada Helps: We are also registered with Canada Helps, and donors can donate through <https://www.canadahelps.org/>. We have chosen not to install their donate buttons on our website, partly to avoid confusion with our PayPal buttons, but also because Canada Helps fees are higher than those charged by PayPal, and the amount we receive is net of these fees. Also, Canada Helps issues charitable receipts for donations it receives, and we prefer to issue our own.

c. Establishing new funds

Your focus will probably be on growing your general community fund that can be used for unrestricted granting. Unrestricted funds provide for the flexibility to address the region's needs now and in the future, whatever those future needs might be.

However if a donor wishes to make a major gift to benefit the community and can't be persuaded to put it into the general community fund or one of your existing field-of-interest funds, the donor can establish a designated fund (like the McKinnon Family Fund) for a particular charitable purpose. Another option is a donor-advised fund, where the donor provides direction each year as to where the fund's disbursement should be granted. For presentation purposes these funds will fall under the Geographic Regional Funds heading on our funds chart. However, as the Deed of Gift is made with Osprey, the fund will become part of Osprey's family of funds and any granting will be from Osprey directly to the charitable donee as determined by the fund holder.

Have the donor contact Osprey's executive director to discuss setting up such a fund. A fund must reach the \$10,000 threshold within 10 years and the fund capital should be expected to grow large enough to generate a worthwhile amount for granting. After a conversation with the donor around his or her wishes, we will draft up a Fund Agreement (Deed of Gift) between Osprey and the Donor that sets out the purpose of the Fund and identifies the recipient of distributions from the fund. Osprey can only give

grants to ‘qualified donees’ as defined under the Income Tax Act – generally registered charities, but also municipalities and school districts (for scholarships, etc.) See more under “Granting”, below.

d. Bequests or gifts of stocks, life insurance, real estate, etc.

Contact Osprey’s Executive Director if you have a Donor who wishes to make a large gift, or a non-cash gift. We will work with the Donor and with his or her financial advisor or lawyer to determine whether we can accept this gift, and under what terms. We always encourage the Donor to discuss a proposed gift with independent legal and/or tax advisors. We can also call on the expertise at Vancouver Foundation if the gift is complicated.

Donations from U.S. residents

The Vancouver Foundation has a mechanism (a U.S. charity) through which we can receive donations of \$1000 or more from American donors requiring U.S. tax receipts.

Stocks: Stocks that have appreciated in value are not subject to capital gains tax if they are donated to a charity. So if a donor is interested in giving, and has stocks coming to maturity on which he or she will need to pay capital gains, a smart option might be to donate those stocks to Osprey. We can provide the donor’s financial advisor with the details required to transfer the shares to our brokerage account at CIBC Wood Gundy. We will immediately convert them to cash, and receipt the donor for the cash value on the day we receive them.

Bequests: We don’t always know who may have left a bequest to Osprey Community Foundation in their will.” But if you learn that a donor plans to make a bequest to benefit a CFNKL Fund, make sure that he or she has the correct names, for example, a bequest “to the Osprey Community Fund for the CFNKLS Environment Fund.” There is information on our website.

Something else we recommend is that a donor planning a bequest consider setting up a fund now, add to it over time, and direct in their will that the bequest should go into that fund. That way the donor can discuss with us now what he or she wants to accomplish with the fund and the bequest. The donor will also receive tax benefits now, which might be more useful than after death, and he or she can see the money put to work while still alive.

6. Grantmaking

Each year, Osprey distributes its endowment earnings (and any flow-through funds) in the form of grants to qualified donees. From our point of view, CFNKLS acts as a granting committee of the Osprey Board, advising it on grants to organizations in the North Kootenay Lake area.

While Osprey is the legal entity disbursing the grants, you are essentially responsible for your own grant making program. You are welcome to copy any of Osprey’s procedures and materials. Within Osprey’s general granting policies, you can determine specific local granting criteria and granting guidelines.

a. Procedure

Each year in about March, Osprey will let you know how much money is available for granting from your funds.

You will call for applications from registered charities and qualified donees through an open, public process, usually at least once a year.

Once approved by CFNKLS, you can submit your granting recommendations to Osprey's Board. We will need the name of each organization, the name of the sponsoring organization (if applicable), the CRA charitable number of the organization receiving the grant, the name of the project and a brief description, and the amount of the grant. This list goes to our Board to be approved at the next monthly board meeting. The board isn't likely to turn down your recommendations provided the grant recipients are all qualified donees using the funds for charitable purposes that fall within our granting criteria and policies. But our board is ultimately legally responsible for these grants, and for ensuring that they meet CRA regulations for public foundations and charitable entities. If the Board has any questions or concerns, we'll get back to you.

Once the grants are approved, we can issue cheques to the qualified donees for these projects. Usually we provide you with these cheques so that you can award them to the recipients, unless you want them sent directly to the qualified donees.

Follow-up

It is your responsibility to follow up with Grantees to ensure that the projects proceed as planned, the grant funds are used for the purposes proposed, and due diligence is done in the way of adequate reporting on the project. The Committee should keep records of its grants, and whatever 'learnings' come from its investment in these projects. Osprey does not keep files on projects funded by its Affiliate Community Funds.

You will want to publicise the impact of the grants locally, so that residents see the community benefits and might be moved to donate to your Affiliate Fund. Also, you will want to publicly recognize the contribution of the Kootenay Savings Community Foundation in providing funds for local granting.

b. Eligible applicants

Since Osprey issues charitable tax receipts for donations, CRA wants to ensure these donations are used for charitable purposes. It does this by requiring that we only give grants to 'qualified donees.' The largest category of these are registered charities, but the list includes:

- a registered charity (including a registered national arts service organization);
- a registered Canadian amateur athletic association;

- a listed housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
- a listed Canadian municipality;
- a listed municipal or public body performing a function of government in Canada;
- a listed university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada;
- a listed charitable organization outside Canada to which Her Majesty in right of Canada has made a gift;
- Her Majesty in right of Canada or a province; and
- the United Nations and its agencies.

Registered charities are listed on the CRA site along with their charitable numbers (see <http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html>). Their charitable status must not have lapsed.

By doing an expanded search on that site, you can bring up all of the charitable organizations in a particular town.

School District #8 is a qualified donee (its official name is “The Board of Education of School District No. 8 (Kootenay Lake)”), which allows us to give grants for scholarships and other purposes to schools in the district.

Provincial or National Organizations: In some cases, when local organizations do not have their own charitable status, there is a provincial or national association that is a qualified donee and will accept the grant for the use of the local organization. For instance, a local curling club may be able to receive funding through Curl BC. A local KidSport chapter may be able to receive funding through Kidsport Canada. Other sport-related projects may receive funding through the charity “True Sport.” The qualified donee should provide written confirmation that this arrangement is acceptable. Some qualified organizations take off an administrative fee before forwarding the grant money.

Sponsoring non-qualified applicants

In some cases, a non-qualified organization wishing to apply for funds to carry out a project can obtain the sponsorship of a qualified donee through which a grant can be administered. The sponsor assumes financial and legal responsibility for that project - it essentially takes on the project as its own. A qualified donee cannot just ‘lend’ out its charitable number. The project must fall within the sponsoring organization’s mandate, and there must be a bona fide relationship between the two organizations. The qualified donee must exert reasonable fiscal accountability for the funds. It’s important that both organizations understand CRA requirements, otherwise the sponsor runs the risk of losing its charitable status.

The CFC website has an excellent “Tips & Tools” explaining how a non-qualified (non-charitable) organization can work with a qualified donee. See Foundation Essentials under Resources on their website.

RDCK sponsorship

At this time, the RDCK (which is a qualified donee) does not normally sponsor grants on behalf of smaller community non-profit groups. However on an individual basis, RDCK has accepted grants for specific projects with which it is involved such as work on the TransCanada trail or the regional food policy council.

Municipal sponsorship

A village or municipality may be willing to sponsor grants for organizations with whom it has an established relationship. The City of Nelson, for instance, sponsors grants for projects initiated by the Nelson & District Youth Centre or the Civic Theatre. The Village of Slocan has also sponsored grants for the Slocan Valley Rail Trail.

7. Commonly asked questions

a. Operating Expenses

How you fund your own operations (advertising, printing costs and such) is up to you. You may choose to fundraise, to solicit grants or donations for operations, or to find funds from some other source. You will want to keep your own bank account for these operating funds.

Charitable donations towards CFNKLS operations: Osprey has made provision for its Affiliates to be able to accept charitable donations towards its operational cost. The procedure is described in the following memo.

MEMO:

Affiliate Community Funds:

Accepting Charitable Donations for Administrative Costs

Two of the societies that steward Osprey's Affiliate Community Funds have asked Osprey to accept, on their behalf, charitable donations which can be used to fund their operations - for example for fund promotion, advertising, printing, and board development costs.

This presents Osprey with some regulatory and administrative challenges:

- Osprey cannot simply forward charitable donations it receives on behalf of the affiliates. This money must be used for charitable purposes, and neither the Community Fund of North Kootenay Lake Society nor the Slocan Valley Community Legacy Fund Society has charitable status.
- According to Osprey's foundation documents, it is only able to grant to 'qualified donees.' So again, it cannot contract with the societies and pay them to administer Community Funds on Osprey's behalf.

- Instead, Osprey has to receive the donations for its own charitable purposes, must directly pay any invoices, and must track these revenues and expenses. This has implications for our administrative workload.
- A charity cannot accumulate charitable donations; they are subject to a disbursement quota. We cannot receive large donations that just sit in our account for years.

We propose the following procedure:

Osprey will accept charitable donations towards the operational expenses of each affiliate community fund provided that:

- The donation amounts are 'reasonable' - not more than is likely to be spent over the next 12 months.
- The number of expenses paid from these funds is also 'reasonable' - perhaps a half dozen per year. In other words, the money is used to pay for several large invoices not numerous small ones.
- The expenses to be covered are for purposes consistent with Osprey's current operating practices (advertising, printing, postage, conference expenses, etc.)
- Osprey receives the invoices and pays the suppliers directly, by cheque.*
 - *An exception can be made where there's no alternative to charging an expense to an individual board member's credit card, such as for airfare to a CFC conference. In that case, Osprey will reimburse the individual for the cost, provided we have the invoice and proof of payment.
- Osprey receives confirmation from the Society's treasurer or chair for each expense
- Note: Currently Osprey does not levy an administrative charge on flow-through donations, however the Board will be re-visiting that policy and it could change.

8. Vancouver Foundation Fee Rebate

The Vancouver Foundation (VF) charges an annual cost recovery fee (covering investment management fees and VF administration costs) on the funds that they hold in trust for the Osprey Community Foundation (OCF). The fee charged is based on the market value of the funds June 30th of the previous year. As at Jan 1, 2019 the fee is 1.15%.

Rather than being a separate charge deducted from the income distributions, the fee is factored in as a reduction of the annual distribution rate that VF uses to calculate the quarterly income distributed to OCF from the pooled investment funds.

VF is paying a quarterly "Administration fees rebate", of .35% of the market value of the pooled funds at the end of each applicable quarter. VF has explained that the purpose of this rebate is to provide community foundations with additional funds for investing, granting or covering administrative costs.

POLICY

1. Any administrative fee rebate allocated by the Vancouver Foundation to the Osprey Community Foundation is to be shared pro-rata with the Affiliate Funds based on the respective fund market values.

3. For the affiliate fund portions, the rebate will be identified separately on the respective annual affiliate fund report. The affiliate may:
 - a) reinvest the funds,
 - b) grant the funds to qualified donees,
 - c) utilize the funds for administrative purposes, each expenditure to be a minimum of \$300.

Direction should be made via email to the Osprey executive director and should include a copy of the board minutes approving said direction.

9. Appendices

- Agreement between Osprey Community Foundation and the Community Fund of North Kootenay Lake Society
- Agreement to establish the Kootenay Savings Community Fund
- Original letter about establishing CFNKLS