



# Frequently Asked Questions About the Calgary Foundation

## What is a Community Foundation?

The first Canadian community foundation was created in 1921 in Winnipeg. Today community foundations are the fastest growing form of philanthropy in North America. A community foundation is an organization that holds philanthropic funds to support charitable activity. These are mostly permanent endowments, established by individuals, organizations and corporations to enhance the quality of life in a specific area. A board of directors, made up of community leaders, supervises the pooling and investment of the funds. The income available from investments is used to support charitable activities in the community.

Relying on the knowledge and experience of community members for both governance and granting, community foundations are often in the vanguard of charitable giving, identifying and responding to community issues and needs before they are generally known. Through the use of income from unrestricted or broad field-of-interest endowed funds, community foundations are able to respond appropriately not only to today's needs, but also to the changing needs of the future.

## What is The Calgary Foundation?

The Calgary Foundation (TCF) is a registered charity under the Income Tax Act that was established by a group of community-minded citizens to meet a wide variety of social, cultural, educational, health, environmental, and community charitable needs in Calgary and the surrounding area. The Foundation undertakes this work through the distribution of income from endowments and other funds established by our donors.

The Calgary Foundation embodies a simple concept: people working together can make a difference. Our goal is to increase resources for community needs, to create and care for endowment funds, and to respond to emerging needs that come with changing times. The Calgary Foundation carries out its mission by building permanent endowment funds as charitable capital for the community. We maintain high professional standards in the investment and management of the funds, and promote effective and efficient granting decisions designed to serve current and future needs, as well as to strengthen charitable organizations throughout the Calgary area.

The Foundation acts as a vehicle to serve donors with varied interests at various levels of charitable giving. We act as a link between those donors and the charitable agencies that can most effectively and efficiently carry out the objectives and desires they have for their funds. We offer donors maximum flexibility on the types of assets they can give to create funds, options for the use of our donors' gifts, benefits such as involvement in the granting process, and a lasting legacy in their name.

The Calgary Foundation may be thought of as Calgary's permanent savings account: charitable venture capital that places a high premium on serving Calgarians effectively now and into the future. Through The Calgary Foundation, donors can take the long view, work on potentially controversial problems, and/or ensure continued support for an ongoing charitable service.

## **How Does The Calgary Foundation Work?**

A volunteer Board appointed by a Committee of Nominators governs The Calgary Foundation. Directors serve a three-year term to a maximum of three such terms. The Board governs the Foundation within regulations set down in The Calgary Foundation Act (Alberta, 1955) and by the Canada Revenue Agency (formerly Revenue Canada) relating to public foundations.

Investment management services are professionally provided under investment guidelines established by the Board. The Royal Bank serves as custodian. Investment Committee of Board members and other volunteers with significant investment experience recommends policy and monitors performance through quarterly meetings with the investment managers.

Professional staff administer The Calgary Foundation; operating expenses are recovered equitably across the assets and represent less than 1% of the asset base, well within industry benchmarks.

## **What is a Fund at The Calgary Foundation?**

The term 'Fund' is used to describe a donor's contribution that meets the requirements described below. A contribution falls within one of two possible categories: endowment funds or flow-through (non-endowment) funds, and carries a name chosen by the donor as one of the distinguishing characteristics. In the case of an endowment fund, most contributed capital is held permanently (although term endowments are available under certain circumstances) and only the income is available for distribution. A contribution to a flow-through fund is not held permanently. The capital is spent within the current fiscal year that the gift is made or in the following year, subject to an administration fee.

For investment purposes, all funds are pooled together. For record tracking purposes, however, each fund is accounted separately from all others.

Investment earnings are calculated and allocated proportionately to each fund on a monthly basis. A fund begins to benefit from pooled income from the first day of receipt. Grant disbursements are tracked on a fund-by-fund basis.

### **Are There Any Costs?**

With the exception of donor advised student award funds, there is no set up fee involved in establishing a fund at The Calgary Foundation. We provide agreement forms that can be tailored to meet unique needs and interests. On the infrequent occasion when unusual legal or other complications arise, the Foundation will normally assess the direct costs to the donor's fund.

A reasonable annual charge is assessed against each Fund. The charge is formulated on an equitable allocation of The Calgary Foundation's costs and is based on the market value of the Fund. This policy is subject to ongoing review and change by The Calgary Foundation's Board of Directors.

### **How is a Fund Established?**

A Fund can be established at The Calgary Foundation to support any charity or charitable purpose anywhere in Canada and, under certain circumstances, in other countries. The process is normally initiated by the donor calling or writing advising of their wish to establish a fund. The information required includes the name of the proposed fund, its purpose, the amount and type of donation and whether it is to be open to other donors or closed. Once we have that information, a fund agreement is tailored to the donor's interests and needs is prepared

Certain minimums apply. At present, most Funds are established with a minimum gift of \$5,000. (*Student Awards, Term Endowments and Managed Funds have higher minimum gift levels*). Contributions that fall below the minimums described above are welcome. While such contributions may not be sufficient to create a separate fund, they can be added to almost any of The Calgary Foundation's existing funds.

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

## How Are Grants Made?

Investment income generated by the Community Fund is allocated, as directed by volunteer committees and approved by the Board, to worthy applicants serving current critical needs in the community. A Grants Committee of appointed citizens, chaired by a member of the Board and assisted by our staff, meets twice a year to research, review and evaluate applications. Advisory committees composed of experts in specific fields of charitable interest review applications and advise the Grants Committee. Recommendations are submitted to the Board for final approval.

The same procedure is followed in allocating investment income from Field-of-Interest funds within the appropriate field.

Investment income earned by Designated Funds is granted as designated, and investment income from Donor-Advised funds is distributed on the advice of the donor in consultation with the Foundation.

Members of the Foundation staff are available to answer questions from applicants in preparing their submissions.

## What are the Advantages of Giving to The Calgary Foundation?

***Simplicity:*** A gift to The Calgary Foundation simplifies charitable giving. One contribution to the Foundation can address a wide range of needs or interests and can benefit any or a number of charitable organizations in our area.

***Effectiveness:*** The Foundation ensures the best use is made of donations through the professional grant research of the staff and proven judgment of the grants committees with rigorous review by the board of Directors.

***Giving Options:*** A donor can realize nearly any charitable intent by choosing from among the variety of fund types offered by the Foundation. Almost any asset of value can be considered, and there is a minimum of paperwork.

***Flexibility:*** The Foundation has the responsibility to be aware of changing conditions in the Calgary area. The Foundation will honour a donor's wishes regarding the charitable beneficiary or field of interest designated. Should the original beneficiary or purpose of your gift become incapable of fulfillment, the Board of Directors can redirect the fund to another related organization or activity.

***Permanence and Continuity:*** The gift of an endowment fund with the Foundation will continue to benefit the community into the future. The size of the fund created can be increased at any time through additional gifts, including a bequest in your Will.

**Recognition or Anonymity:** All grants from your fund are identified to the recipients by the name that you have given to your fund. If you choose, you may request anonymity with the assurance that your wishes will be respected.

**Investment Expertise:** Donors save the time and expense of investment work and assure professional management of the fund for best return at lowest cost.

**Tax Benefits:** The Calgary Foundation is a registered charity under the Income Tax Act. Gifts made to the Foundation will result in important income tax advantages.

## **Types of Funds**

**Named Fund in the Community Fund:** This type of fund is the source of grants used to address new and emerging needs in Calgary. Applications to this Fund are made by registered charitable organizations in the Calgary area during the annual grants cycles. Grants are determined on the recommendation of our Grants Committee. These grants are often for new and innovative projects that address needs that no other agency is handling. Very often we are the only source of this kind of “venture capital”. Individual donors may choose the option of having a named fund within the Community Fund.

**Field of Interest Fund:** With a Field of Interest fund, donors focus their charitable giving on a favourite issue or activity. Applications for support from these Funds are made by registered charitable organizations in the Calgary area that are working in the areas of interest. Grants are determined on the recommendation of our Grants Committee. Funds may be established in any area of charitable activity - arts and culture, neighbourhoods and community, education, environment and animal welfare, health, recreation, or social services.

**Designated Fund:** With this type of fund, the donor declares the permanent income beneficiary. In other words – the donor has a specific charity in mind that he or she wishes to support for years to come at the time that the fund is established. The Foundation will disburse the income from the Fund annually to the specified beneficiaries. Furthermore, the Foundation will monitor the designated grantees to ensure that they are functioning well and maintain their charitable status. If a charity’s focus changes significantly, if it merges with another group, or the purpose it serves becomes obsolete, the Foundation adjusts disbursements to the nearest similar purpose to ensure the Fund continues to carry out the donor’s original intent.

**Donor Advised Fund:** A Donor Advised Fund is completely directed by the donor. Donors provide advice each year identifying which charitable agency or agencies they wish to award the income from their fund. Grants may be made in any area of charitable activity – arts and culture, neighbourhoods and community, education, environment and animal welfare, health, recreation, or social services.

**Student Award Funds:** Donors wishing to support students often set establish a Student Award Fund. The donor may choose to set up a selection committee to decide each year's award recipient or may designate a specific post-secondary institution, in which event the institution selects the recipient. In either case, the donor may decide which criteria students should meet in order to qualify for the award.

**Agency Fund:** Agency Funds are typically established by a charitable organization. Agency Funds are similar to Designated Funds in that the income from the endowment flows back to the donor organization to use for its own charitable purposes.

**Managed Fund:** Charities often establish Managed Funds. The organization pools its reserve funds with The Calgary Foundation's investment portfolio, which means that the organization is able to take advantage of the Foundation's investment returns and low management fees. Unlike an Agency Fund, Managed Funds are not endowed and the contributing organization retains the fund on its own books.

*Donors may plan for their gift to be made now, or in the future (a gift through a will or a life insurance policy, for instance.)*

## **What Types of Gifts are Accepted by The Calgary Foundation?**

Almost any asset of value can be considered as a contribution to a Calgary Foundation fund

- \* Cash
- \* Charitable Bequests
- \* Life Insurance – Existing or New Policy
- \* Residual Interest
- \* Securities
- \* Gifts from an Estate or Trust
- \* Charitable Trust
- \* Other Assets

***If you wonder if other assets can be used to build an endowment,*** often they can. Almost any asset can be contributed to create a fund at The Calgary Foundation. We can create funds with closely-held stock, real estate, insurance, interests in limited partnerships, art, boats, shareholder loans and **even with combinations of such assets working in tandem to achieve the most advantageous gifting and tax planning advantages.**

**The last Word: Setting up a Fund at a Community Foundation Instead of Starting a Private Foundation...**

**Significant Cost Savings:** There can be substantial costs incurred to establish a private foundation, and the costs to administer the foundation are ongoing.

***Virtual Control:*** Through a donor advised fund at The Calgary Foundation a donor can direct disbursements to the charities of his or her choice. The final decision for disbursements to charitable organizations legally rests with the Board at The Calgary Foundation, yet to date, The Calgary Foundation has always been able to honour and uphold the donor's charitable intentions.

***More Favourable Tax Laws:*** Some gifts made to a community foundation like The Calgary Foundation can result in a more favourable tax benefit to the donor than can gifts to private foundations. For example, the inclusion rate on capital gains for gifting publicly traded securities to a community foundation is 0% but is still 25% for the same gift to a private foundation.

***Broader Recognition or Greater Anonymity:*** Donors who wish to be recognized for their contributions to the community will likely find it more effective for a third party such as The Calgary Foundation to get publicity for the gift than to seek the attention him or herself. On the other hand, donors wishing to remain completely anonymous appreciate the role The Calgary Foundation can play in administering the grants and acting as their representative to ensure charities provide proper accounting of funds they have received, evaluations, Etc.

***Access to Expertise in All Areas of the Non-Profit Sector:*** Through the staff at The Calgary Foundation donors can access over fifty years of experience within the non-profit sector. Access to this level of expertise in the charitable sector can substantially assist donors in making wise choices regarding how they wish to direct their charitable dollars and maximize their investment in social capital.

***Expertise on the Latest in Tax Benefits through Charitable Giving:*** Having an endowment at The Calgary Foundation allows donors the opportunity to receive information on the latest changes in taxation and charitable giving along with suggested strategies that a donor might pursue.

***Ability to Continue Giving Through to the Next Generation:*** Private foundations set up by a previous generation often struggle with engaging the next generation in philanthropy in a meaningful way. The Calgary Foundation can play a unique role in bridging the gap between generations, thus ensuring that the philanthropic nature of the original founders will carry on with future generations.