B8: Foundation's Investment Policy

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Key Contact Regarding Policy:	**President & CEO**

Definitions:

Reasonable: Reasonable is defined as acceptable and according to common sense or normal practice. A rational judgment based on all fact available at the time of the donation and decision making.

Advantage: An advantage is defined as what a donor may receive in return for his or her donation and it must be taken into consideration when determining the eligible amount of a gift for receipting purposes. Revenue Canada caps advantage at 10-20% when considering tax receipting depending on the value of the gift.

Capital Gain: A capital gain is defined as the funds realized when capital property (for example, share) is sold or considered to have been sold for more than the total of its adjusted cost base and the outlays and expenses incurred to sell the property. Outlays and expenses include fixing-up expenses, finders' fees, commissions, brokers' fees, surveyors' fees, legal fees, transfer taxes, and advertising costs.

Gifts-in-kind: Gifts-in-kind are also called non-cash gifts and are defined as gifts of property. They cover items such as artwork, equipment, securities, and cultural.

Amassed held donations: Amassed held donations are defined as donations collected by the Foundation from multiple donors.

Fair Market Value: Fair Market Value is defined, with respect to investments, as the actual value the share or security is trading for at the time of the donation.

Preamble/ Background: The objective of the Investment Policy is to outline the Foundation's financial objective, asset mix, permitted investments and management principles to the investment firm(s) as it applies to the Foundation's designated and un-designated, short term, long term, and endowment Funds.

Distribution: Cobequid Health Centre Foundation Board, Staff, Volunteers and all other Stakeholders. The policy is available to the public on the foundation's website.

Policy: This policy establishes the Foundations investment strategy to ensure responsible management of the donations we receive at the same time minimizing risk of loss. The Foundation is dedicated to a responsible investment strategy which will provide the highest return within a short - term investment minimizing risk.

1. Short Term Investment Policy:

Outright cash donations or amassed held donations the Foundation should limit its investments to short-term money market instruments, such one of the as the following:

a) Guaranteed Bank Paper or CDIC Insured GIC (one year or less)
b) Treasury Bills
c) Government Bonds (Rated "AAA" to "A") (one year or less)

All debt securities will be rated "AAA" to "A" (R-1 for money market securities) or better by a recognized Rating Agency. When purchasing short-term investments the Foundation will use an accredited investment firm and will seek professional investment advice. Equities (stocks of any kind) will not be part of the general day-to-day investment practices of the Foundation.

<u>Guiding Principles and Values:</u>

1.1. <u>Undesignated funds:</u> The fund serves an overall general fund representing undesignated revenue received by the Foundation. It is used for grants, operating funds, and special projects approved by the Foundation's Board of Directors.

1.2. <u>Designated Funds</u>: The fund serves as an operational fund to meet the ongoing financial needs of the various programs of the Cobequid Health Centre to which donors have designated their specific donations. These designated revenues may pertain to any number of programs.

1.3. <u>Endowment Fund</u>: The purpose of the endowment fund is to generate income to support specific programs in need. The foundation is only capable of using the returns on capital and it is the responsibility of the foundation to protect the capital. The fund should have sufficient liquidity to support an annual spending amount.

1.4. Financial Objective: The investment objective of these funds is to earn as high as return as possible through high credit quality, short term money market investments, while ensuring liquidity and flexibility within each fiscal year. Liquidity is very important given the cash flow demands of these funds, therefore risk tolerance is very low.

1.5. Permitted Investments: Canadian dollar denominated cash, Federal and Provincial T-Bills, bankers' acceptances, commercial paper, term deposits or money market pooled funds whose permissible investments adhere to the before mentioned list of securities. Foreign currency investments are prohibited.

1.6. Credit Quality: For segregated accounts or Individually Managed Accounts, all securities must be of an equal to or a greater than R-1 (low) by DBRS or a comparable rating agency.

1.7. Management Principles:

1.7.1 The decision on the term of investment or amount of cash to be held is based on the projected cash flow requirements for the Foundation operation and grants approved by the Foundation.

1.7.2 The maximum term for any investment will be one year however the Foundation will have daily liquidity.

1.7.3 The Executive Director will be responsible to oversee the monthly reports of the short term investments.

2. Long Term Investment Policy:

When the Foundation receives a large endowment donation, it will seek professional investment management. The Foundation will make decisions based on this advice for these much longer term equities. This policy will be reviewed at the Executive Committee and Executive Director on an annual basis.

3. **Designated Fund Policy:**

Money donated towards the CHCF's Designated Funds represents the funds that are available for spending at any time to meet the needs of the Health Centre and beneficiaries, according to specific pre-approved terms of reference and must be invested accordingly.

Guiding Principles and Values:

3.1. The purchase of securities shall be made for investment and not for speculation. The Executive Committee shall act responsibly and prudently in order to maintain the safety of the investments. The Executive Director in conjunction with the Executive Committee will ensure that the portfolio is managed in conformity of this statement exercising with care, skill, due diligence, and judgement that a prudent investor would exercise.

3.2. Financial Objective:

3.2.1. The primary objective of the fund is to protect the capital and to generate a stable stream of income.

3.2.2. The investment returns from designated funds (non-endowed) will accrue to the foundation as undesignated revenue.

3.2.3. It is important for the funds to maintain liquidity so that readily access is available when requested for any charitable purpose.

3.3. Asset Mix:

The above noted fund has a mid – long term investment horizon (5-10 years). Keeping in to consideration the importance of liquidity and preservation of capital, the Foundation shall observe the following outline for an appropriate asset mix for this fund:

	MINIMUM	*MAXIMUM*
Cash Equivalents	5%	35%
Bonds	40%	70%
Equities	25%	55%
➢ Canadian	15%	45%
➢ Foreign	10%	30%

4. Endowment Fund Policy:

The following endowment management principles and priorities must be followed by the Cobequid Health Centre Foundation in terms of both Named & Un-named (or Group) Endowments at all times:

4.1.1. The CHCF Foundation must be able to assure donors that endowment gifts will maintain or increase purchasing power at all times.

4.1.2. Fees for investment management and custodian services are paid from income earned.

4.1.3. An administrative fee equal to 1% of the market value of the endowment funds will be charged to ensure management of endowments will be cost neutral to the CHCF Foundation.

4.1.4. In times of low or negative returns the balance of the fund can be expected to decrease.

4.1.5. A contribution of $10,000 or more is required to establish a named endowment. The gift may be in the form of one time cash gift or a pledge. Those making pledges are required to make a minimum initial payment of $5,000. In the case of pledges names will not be added to Endowments until the full $10,000 contribution has been received by the Foundation. Donors who select this form of Endowment have the option to direct any tribute or memorial donations specifically to their Endowments.

4.1.6. The Foundation has two separate categories for endowments.

4.1.7. Donor Names Endowments – With a contribution of $10,000 a donor can have his or her endowments named specifically for their family.

Here are some examples:

- Jones Family Endowment
- John Jones Endowment
- John & Margaret Jones Endowment
- Shirley Freer & Carol Crosby Founder Endowment (Un-named Group Endowment) – with a contribution of $5,000 a donor can contribute to our Founder Endowment. The group endowment will allow donors to continue the work stated by Carol & Shirley to bring complete health services to our growing community. The Founder Endowment will focus on the highest need for medical equipment within the center. This will be determined in collaboration with Nova Scotia Health Authority.

4.1.8. The CHCF Executive Committee will establish an annual spending allocation of 2% - 5% and recapitalization amount. The spending allocation will be distributed to the individual endowments on a quarterly basis, based on their average monthly ending balance over the last quarter.

4.1.9. The Endowment Fund shall be reviewed no less than once a year by the CHCF Executive Committee and the Executive Director to be sure if any adjustments are required to the spending allocations and recapitalization distribution.

4.1.10. The Board of Directors of the Foundation, or such committee as it shall authorize and direct will provide oversight to the investment of the Endowment according to the investment policies approved by the Board of Directors.

4.1.11. A five year rolling average return objective for endowment income is 4%.

4.1.12. Individuals or business may direct endowment funds for specified endowments with the approval of the Foundation and by making a minimum initial payment of $5,000. If an individual or business pledge $10,000 over time, until they have full endowment, the money goes into founder endowment. If you can't reach the goal of $10,000 the money will stay in the Founder Endowment.

4.1.13. Only named endowments can be directed to a specific area within the Heath Centre. The areas in which a donation can be specified are;

- Emergency Department
- Diagnostic Imaging (X-Ray Department)
- Lab Services Department (Sample Collection & Processing)
- Rehab Services Department
- Ambulatory Clinics

4.1.14. Additional contributions to an existing endowment require only a transmittal letter or bequest language stating the donor's intention. The Foundation encourages donors to specify within their end of life will (will) wishes related to their named endowment.

4.1.15. Annually the Foundation will disburse the interest or earning from the Endowment according to the donor endowment agreement (typically 3-5%). The name endowment will specify policies in place as well as the Founder Endowment.

4.1.16. For all donor-directed endowment funds, an endowment agreement, signed by the donors and the Executive Director or delegate, shall be executed.

4.1.17. Each Endowment agreement shall contain a "power to vary" clause permitting a change of purpose if the designated purpose ceases to be appropriate. The Foundation will strive to honor the wishes of the donor however, should a service ceases from operation at the Centre, the Foundation reserves a right to direct the funds towards a similar service (when possible) or the area of most need.

4.1.18. All endowment funds will be listed by name in the Foundation's annual report unless otherwise requested.

4.1.19. The Foundation will recognize the donor(s) of an endowment gift in accordance with established donor recognition policies. Endowment Gifts will be included in the accumulated totals of the donor recognition wall.

4.1.20. The assets of the Endowment are separate from the Foundation's assets for investment purposes. The funds are invested according to the Foundation's investment policy specifically for Endowments.

4.1.21. The Board of Directors will approve an annual spending plan for the Endowment. Income from the Endowment will be spent only for the purposes specified in endowment fund agreements with donors or for purposes specified in endowment fund agreements with donors or for purposes approved by the Board of Directors.

4.1.22. The Board of Directors may elect to distribute all or a portion of the net income from the Endowment. Any undisbursed income shall be capitalized with the principal.

4.1.23. At the close of the calendar year, a statement of financial performance will be provided to each living donor or donor's representative (including a designated family member, spouse or partner, or friend).

4.2. Asset Mix: Due to the perpetual nature of the endowment funds, a long term investment horizon should be taken into account, in order to protect the purchasing power of the fund's income and the safety of its capital. The Foundation observes the following guidelines as an appropriate asset mix for the portfolios.

	MINIMUM	*MAXIMUM*
Cash Equivalents	0%	30%
Bonds	25%	55%
Equities	40%	70%
➢ *Canadian*	20%	55%
➢ *Foreign*	15%	40%

5. Investment Quality Guidelines:

5.1. Cash (Short Term Investment): Cash is defined as any investment promising repayment of a fixed amount that matures within one year. Investment in cash would include Government of Canada Treasury Bills, Provincial Treasury Bills, Commercial Paper and Bankers Acceptances. These investments should be rated no lower than R-1 Low with no more than 10% of the cash component of the portfolio invested in the paper of a single issuer. The exception would be high quality Sovereign debt. Bonds maturing in less than 1 year can also form part of the cash allocation. These investments are subject to the quality restrictions noted below for fixed income investments – no bonds rated below BBB by the Dominion Bond Rating Service (DBRS) with a maximum of 20% invested in fixed income securities of this grid.

5.2. Fixed Income: Fixed income instruments represent investments in the debt or preferred shares of government and their agencies or corporations maturing in greater than one year. All investments in the fixed income portion of the portfolio must be in investment grade instruments – those rated BBB or above by the DBRS – and no more than 20% of the fixed income investments in the portfolio can be the lowest grade allowed and no more than 10 % in a single issuer. An exception of the bond quality restriction is made for obligations of the Provinces of Canada, although investments in non-investment grade Provincial debt and DBRS BBB debt are restricted, as previously stated, to a maximum of 20% of the fixed income components of the portfolio.

5.3. Equity: Equity investments represent an investment in the publicly traded common shares of a company.

When the Foundation receives a donation of stocks or securities the tax receipt will be issued according to the CCRA Standards. At the time of this policy was written that standard is as follows:

When a donor makes a donation of stocks or securities to the Foundation that donor is eligible for an official gift-in-kind tax receipt for that donation.

5.3.1. For donations which are sold, the value of that tax receipt is the exact dollar value of the donation calculated as the closing price of the security on the day it is received into the Foundations investment account.

5.3.2. For donations which are held, the value of the tax receipt is the fair market value of that security calculated as the closing price of the security on the day it is received by the Foundations.

5.3.3. Due to the uncertain nature of the stock market. The Foundation will sell all the securities retained due to price drop, before 10% or more percentage loss is experienced from the date the stock/share was received from the donor. This will be to prevent further loss of funds.

5.3.4. The Foundation understands advantage of the reasonable dividend which has been earned and which can be potentially earned from these shares. Hence, prior to selling the Executive Director will meet with the Executive

Committee for discussion, the Foundation may also consult with other independent advisories prior to selling.

The Foundation will seek professional investment advice when dealing with equities. When donations of stock or securities are received, they will be promptly sold unless the price drops, at which point the 5.3.3 will be followed. If the funds are held by the Foundation a short-term investment will be purchased. Appropriate short-term funds are summarized above in *Section 1 – Short Term Investments*. The Foundation sees this as a responsible investment strategy which will provide the highest return within a short-term investment without risk.

5.4. Concentration: At no time can shares in a single company represent more than 5% of the Foundation's Investment portfolio.

5.5. Derivatives: The Foundation is prohibited from engaging directly into the use of derivatives.

5.6. Security Lending: The Foundation is prohibited from entering directly into securities lending arrangements.

5.7. Capital Gains Tax: The Foundation will follow the CCRA Standard with regard to the capital gains tax when receiving the following donations:

5.7.1.1. a share, debt obligation, or right (e.g., stock option) listed on a designated stock exchange;
5.7.1.2. a share of the capital stock of a mutual fund corporation;
5.7.1.3. a unit of a mutual fund trust;
5.7.1.4. an interest in a related segregated fund trust;
5.7.1.5. a prescribed debt obligation (e.g., government savings bond)

At the time this policy was written the CCRA standards are that if a donor does not receive an advantage in respect of the gift than there are zero capital gains on the full amount.

5.8. Investment Portfolio Composition: The Foundation will have a diversified portfolio to help manage risk. No equity investment in one company will exceed 5% of the total portfolio. The cumulative equity investment in one industry will not exceed 5% of the total portfolio. No equity investments will be made in any company with a market value capitalization of less than $100 million. The Foundation will not invest in startup businesses or any business where the risk is commonly thought to be high. Any investment falling outside the above constraints will not exceed 3% of the portfolio.

6. Management Principles:

6.1. The decision on asset mix is made based on projected cash follow requirements of beneficiaries and historical records of fund deposits and disbursements.

6.2. Investments are not to be made in the securities of any corporation whose primary business is the manufacture, or sale of tobacco products or has a significant investment in the tobacco industry. Significant investment is defined as having 10% or more of total capital invested in tobacco related products.

6.3. Monthly reports will be reviewed by the Executive Director of the foundation.

6.4. The Executive Committee will review this policy annually to assure its compliance.

6.5. It is the responsibility of the Executive Director to provide the executive/finance committee with the projected cash flow requirements.

6.6. The Finance committee, together with the NSHA will provide as much notice as possible regarding cash requirements or additional funds for investment. This information may not always be known in advance and hence this factor will be taken in to consideration when assessing investment performance.

7. Conflict of Interest:

The Foundation takes the position that a legal conflict of interest occurs when individuals who present themselves as representatives of the Foundation attempt to sell their own products or services to the donor. It is no less a conflict if the donor requests such products or services from the Foundation representative. Such representative can be an employee of the Foundation or a volunteer on the Board of the Foundation or of one of its committees (the "representative").

An exception will be made when the representative has dealt with the prospective donor, independently of the Foundation. In other words, the potential donor is a pre-existing client of the representative's business or practice. If, as part of the financial, legal or accounting advice given by the representative to the donor, the representative is involved in arranging a gift to the Foundation, then no conflict would exist.
In cases of potential **conflict of interest**, the representative must declare the conflict and allow an impartial individual to act for the donor.

As a service to the donor, the Foundation's lawyer may assist the donor's lawyer by drafting the gift instrument. A tax opinion may be sought by the Foundation and a copy provided to the donor. In these cases, the Foundation will accept the responsibility for the fees incurred by its own counsel and there will be no charge to the donor for this assistance. In the case of instruments drafted solely by the donor's lawyer, the Foundation's legal counsel will review the documents before they are accepted.

The Foundation will encourage the donor to discuss the proposed gift with an independent financial planner, lawyer, and/or tax accountant. This step will help ensure that the donor receives a full and accurate explanation of all aspects of the proposed charitable gift. In some cases, the Foundation may decline a gift if the donor has not obtained independent advice.

Related Documents:

- Foundation's Conflict of Interest Policy