

The Governance Structures of Community Foundations - Country Report CANADA

Introduction

The first Canadian Community Foundation was established in Winnipeg, Manitoba in 1921. Gradually, over the years, the movement spread across the country until, in 1990, a national organization called Community Foundations of Canada was formed. During the 1990's, the growth of community foundations accelerated significantly. There are now 110 community foundations in Canada. Total assets across the country are approaching \$1.5 billion (Cdn) and the resulting annual grant making capacity amounts to about \$75 million.

Legal Structure:

A Canadian community foundation is created as a corporation under Provincial legislation. It must also be registered as a charity with the Canadian Customs and Revenue Agency. This registration allows the community foundation to be exempt from income tax and to issue receipts to donors which they can use as a credit in calculating their personal income tax.

To retain its charitable status, a Canadian community foundation must spend certain amounts each year on charitable activities. Generally, the operation of a Canadian community foundation is structured around an endowment fund and gifts to a community foundation are specified to be capital (retained as assets in the endowment fund for at least 10 years). In this normal situation, at least 4.5% of the market value of investment assets must be distributed either on its own charitable activities or as grants to qualified donees who are essentially other registered charitable organizations. Sometimes, a community foundation will accept gifts that are not directed to its endowment fund. In these circumstances, the disbursement quota required for charitable activities (as opposed to administration or other community activities not defined as charitable) increases to 80% of the aggregate amount of such gifts.

The Governing Bodies of Canadian community foundations

The Canadian experience demonstrates that the governance structure will evolve as the community foundation grows from a small volunteer base to a professionally staffed organization. Policy matters always rest with the Board of Directors but as the Board is able to delegate tasks, its work is more concentrated on vision and direction as opposed to operational matters. Community Foundations of Canada encourages its Members to move toward a Policy/Governance Board Model which it describes as follows:

A policy/governance board governs rather than manages by...

- establishing governing parameters
- practicing the duties of loyalty and care
- being committed to a vision
- being consistent in its decision-making

A policy/governance board attends to the board operations including...

- board composition, structure, size and terms of office
- selection and orientation of new members
- the role of officers and committees
- development and evaluation of board members

A policy/governance board ensures that...

- a long-term plan is in place and strategic priorities are determined
- the vision and mission are articulated and embraced throughout the organization
- administrative accountability structures and practices are in place

A policy/governance board supports staff by...

- recruiting and evaluating the performance of the executive director
- setting clear guidelines on the authority and accountability of the executive director
- ensuring operational policies and procedures are in place

A policy/governance board...

- observes fiduciary and ethical considerations through transparent legal, budgeting and auditing practices

Board Composition:

The Board of Directors of a community foundation is an important community asset. It should be representative of the community and include a mix of skills and experience. There is no “right size” for a community foundation board but most have between 10 and 12 Directors. Each community foundation develops its own nominating process that is appropriate for its needs and unique character but the following considerations are normally taken into account:

- The board should both represent and be a voice of the community;
- An open, transparent nominating process is important and builds credibility;
- Taking time to assess the performance of the Board and identify gaps allows community foundations to be deliberate about recruiting new members with special skills and expertise; and
- The integrity and credibility of board members is critical to its overall profile.