



POLICY TITLE Endowment Fund Policy	ADOPTED BY City Council	EFFECTIVE DATE October 28, 2021
ORIGIN / AUTHORITY Executive Policy Committee	CITY POLICY NO. FI-013	MOST RECENT CONSOLIDATION N/A

1. Purpose

The purpose of the Endowment Fund Policy is to outline the objectives and principles by which The City of Winnipeg establishes, maintains and administers Endowment Funds.

The objective of this policy is to ensure that Endowment Funds are created and managed in accordance with Canada Revenue Agency (CRA) guidelines and City Council’s guidance pertaining to this policy.

This policy is applicable to all Endowment Funds administered by The Winnipeg Foundation either for the direct benefit of The City of Winnipeg or Other Entities associated with municipal activities.

2. Definitions

2.1 “Endowment Fund” Endowments are one type of restricted fund. Donors create them when they stipulate that the registered charity must maintain the principal amount and only use the income earned.

An Endowment Fund consists of an established investment fund in which annual disbursements from the invested capital and/or income are distributed to a beneficiary for capital, ongoing operations or other specified purposes.

2.2 “Investment Management Expenses” These are direct expenses incurred to manage, control and report on the investment activities of the Endowment Fund. This includes custodial expense, investment management fees, performance measurement fees and auditing or other specifically related fees.

2.3 “Other Entities” The City issues official receipts for tax purposes to other entities that raise funds for programs, equipment, facility upgrades, etc. that benefit the general public. Some examples include Residents Associations, Business Improvement Zones, Economic Development Winnipeg and The Granite Curling Club which is a City-owned facility. These other entities are affiliated with municipal activities.

2.4 “Public Foundation” A public foundation is established as a corporation or a trust and has exclusively charitable purposes. A public foundation would carry on its own charitable activities and/or fund other qualified donees. For purposes of this policy, The Winnipeg Foundation will be the public foundation for Endowment Funds.

2.5 “Qualified Donee” A qualified donee is an organization that can issue official donation receipts for gifts it receives from individuals and corporations. It can also receive gifts from registered charities.

Registered municipalities are qualified donees and can issue official donation receipts for income tax purposes. The City of Winnipeg, as a registered Canadian municipality, is a qualified donee.

2.6 “Registered Charity” A registered charity refers to a charitable organization, public foundation, or private foundation registered with the Canada Revenue Agency. A registered charity is issued a Registration Number once approved. It is exempt from paying income tax, and can issue tax receipts for donations it receives. It must be established and resident in Canada, operate for charitable purposes, and devote its resources to charitable activities.

2.7 “Restricted Funds” Restricted funds are funds tied to a specific use and not available for the general purposes of the organization (for example, a fund consisting of contributions which donors specifically direct the registered charity to use for a specific purpose).

2.8 “Terms of Reference” The management and administration procedures of each Endowment Fund are set out in a legally binding document.

3. Endowment Fund Policy

3.1 Design: Endowment Funds must be designed for the collection of assets held in perpetuity to support the activities of The City of Winnipeg and its Other Entities.

3.2 Agency Endowment Agreement: An Agency Endowment Agreement setting out the terms and conditions of Endowment Fund donations and distribution is required to be entered into by The City of Winnipeg and the Public Foundation to establish the Endowment Funds.

3.3 Establishment: An Endowment fund may be established when a donor(s) makes a minimum contribution of:

- \$200,000 for Endowment Funds to supplement improvements to City owned assets;

- \$20,000 for Endowment Funds to supplement operations of Other Entities, except for Museums receiving funding from the City of Winnipeg; and
- \$2,500 for Museums receiving funding from the City of Winnipeg.

A written agreement with the donor(s) and the Public Foundation will stipulate the purpose and terms of the donation(s). Endowment Fund donations may be made in cash or other eligible form and official donation receipts will be issued for all eligible donations in accordance with the Income Tax Act (Canada). The Establishment of an Endowment Fund under the Agency Endowment Agreement requires the approval of the Chief Financial Officer.

3.4 Non-Cash Donations: Where practical, and where it is in the long-term financial sustainability interest of the Endowment Fund, non-cash donations such as securities and real property will be converted to cash for investment purposes.

3.5 Eligibility Requirements: The entity for which an Endowment Fund is being established must:

- A. Provide benefit to The City of Winnipeg and include:
 - i. Civic partners – examples are community centres and recreational organizations that provide services from City-owned facilities or facilities situated on City-owned land.
 - ii. Consolidated entities – examples are CentreVenture Development Corporation, The Convention Centre Corporation, and Assiniboine Park Conservancy.
- B. Provide or support a service or assets, which, in whole or in part, falls within the mandate of The City of Winnipeg;
- C. Provide or support a service or assets that are available to the community at large without restrictions based upon ethnicity, religion, race, or sexual orientation and without unreasonably restrictive membership or user fees; and
- D. Be not-for-profit.

3.6 Pooling: Donations are normally pooled together in order to optimize net return and the diversification of risk. Every entity or person providing a donation would be issued a tax receipt.

- 3.7 Asset Management:** Endowment Fund assets are managed by a third-party Public Foundation and as such the City of Winnipeg is required to enter into a **Management Agreement** with the third-party Public Foundation. The Management Agreement will set out the terms and conditions of how the Endowment Funds' assets shall be managed
- 3.7 Interest Distribution:** Investment earnings, net of Investment Management Expenses, not retained by the Endowment Fund are distributed annually to the designated beneficiary.
- 3.8 Spending:** The objective of Endowment Fund spending is to satisfy the charitable purposes and administrative requirements associated with the Endowment and to meet The City of Winnipeg's disbursement requirements under the Income Tax Act.
- Endowment expenditures shall be limited and governed in accordance with the Endowment Agreement.
 - Any unspent funds shall be returned, reinvested and applied to the Endowment Fund capital.
- 3.9 Adding to an existing Endowment Fund:** Donations may be contributed towards a previously established Endowment Fund subject to the ability of The City of Winnipeg to cease accepting contributions for any Endowment Fund at its full discretion.

4. Responsibilities

4.1 City of Winnipeg Legal Department

- Review the terms of reference and Endowment Agreement and provide recommendations on execution thereof.
- Develop the Beneficiary Agreement for execution.

4.2 City of Winnipeg Office of the Chief Financial Officer

- Approval of the establishment of each Endowment Fund under the Agency Endowment Agreement.

4.3 The Winnipeg Foundation

- Create written agreements with each beneficiary under the Agency Endowment Agreement.

- Confirm that accepted donations to existing Endowment Funds are in compliance with the existing terms and conditions.
- Communicate with donors to ensure the donation is of an appropriate size to generate sufficient investment income to meet the Endowment Fund objectives.
- Issue charitable tax receipts in accordance with Canada Revenue Agency policy and guidelines.
- Maintain the donor database.
- Disburse annual Endowment Fund receipts from The Winnipeg Foundation to the beneficiaries.

4.4 City of Winnipeg Department, Community Centre, or Other Entities

- Monitoring endowment spending in accordance with the Endowment Agreement.
- Control over expenditure of Endowment Funds.
- Submit annual reporting on use of the Endowment Funds as specified from time to time by Corporate Finance.