



Some initial issues for a new Canadian grantmaking foundation

By Mark Blumberg (January 28, 2020)

It can take 4-6 months to get a Canadian grant-making foundation established in Canada with the Charities Directorate. Although applying for charity status may seem like the hard part, it is actually being a registered charity, including grantmaking, fundraising (if required), carrying out charitable activities (if allowed under your objects) and ensuring compliance that are the most difficult part. Many charities do not start operations until after they have received registered charity status – this short note will cover some of the issues that a new foundation should consider. Some of these issues or ideas may be relevant to existing foundations as well. With many of the issues, there are many options and not necessarily any right answers. What is right for one foundation often is definitely not right for another.

1. Do the board and others have access to all of the key governance documents and policies?
2. Are changes required to the members, board, and officers?
3. Are any updates/filings required for either corporate or charity law purposes? (e.g. directors, addresses, financial statements, by-laws, annual corporate return etc.)
4. What type of decision making will be used in the foundation?

5. What type of policies will the foundation have? E.g. Conflict of interest, privacy, travel reimbursement, board selection/matrix, whistle blower, etc. (and others mentioned below)
6. Who are the stakeholders of the foundation and what are their expectations of the foundation?
7. Will the foundation be an all volunteer operation or will there be staffing? Do you need to establish payroll?
8. What are the objects of the foundation? Do they only allow for gifts to registered charities? Should they be revisited with CRA and changed?
9. Has the foundation created a Gift Acceptance Policy dealing with a number of areas including when the foundation will not accept gifts, how it will receipt, etc?
10. If the foundation will receive funds from others it should have template Gift Agreements (for receipt of donations)
11. If the foundation will make grants to registered charities or qualified donees it should have a template Gift Agreement
12. If the foundation has broad enough objects and will work with non-qualified donees then it should have agreements to show direction and control as per CRA guidance.
13. Will the foundation have assets and if so how will they be invested? Will the foundation need an investment policy statement?
14. Will there be any restrictions on assets (charitable area, the timing of expenditures, etc.) that the foundation must comply with?
15. How much does the foundation plan to grant out? What is the spending rate and will it at least meet the disbursement quota requirements but also will it meet the requirements of the foundation's stakeholders?

16. Is there an origin story for the foundation and how will it be included?
17. Does the foundation have a theory of change?
18. What priority areas will the foundation focus on? What is the mission of the foundation (narrow vs. broader)? Will the foundation have a niche or special focus or expertise? How will the foundation determine this?
19. How large will grants be? Maximum and minimum and average?
20. Will there be a grant application process? What will the application look like? Will you use a pre-grant letter of inquiry system to minimize those who have to complete a more lengthy full application?
21. Will the grantmaking process be online only? Or will paper options be available?
22. What reporting will be required of grantees, if any?
23. Will you review of unsolicited grant requests? Will the foundation have a policy on responding to requests for funds including unsolicited requests?
24. Will grantmaking be more responsive to requests or proactive?
25. Will grantmaking only be decided by the board or will it be more participatory (for example, with community members on the committee or subject matter experts dealing with certain grants) who would make recommendations to the board?
26. Will the foundation have a policy on grants and disbursements?
27. Will there be types of organizations that you will not fund?
28. What committees will be needed, if any?

29. Will you have standard letters to respond to requests for grants?
30. Will the foundation be more independent or networked/collaborative with other funders?
31. What resources are needed to carry out governance, systems, grantmaking and programs (if any)? Will these be appropriate for the scale of the grantmaking or activities?
32. What internal controls will be put in place?
33. Does the foundation require insurance and does it have an insurance broker?
34. What books and records will be needed and how will they be maintained? Will the foundation have a records retention policy?
35. Is a bank account established?
36. Will the foundation have a credit card?
37. Are there funds being held for the charity by another charity or a donor advised fund etc that will be transferred to the charity?
38. Are there any particular requirements of your governing documents or notification of registration that the board and other need to be aware of?
39. What due diligence will be done on grantees? Will you have checklists and standardized processes for due diligence?
40. If the foundation has appropriate objects, will the foundation carry out charitable activities either through staff or intermediaries?
41. How will the foundation respond to good practices such as core grants (unrestricted gifts), multi-year funding, dealing with urgent issues such as local disasters?

42. What professional advisors are required (e.g. charity lawyers, investment advisors, accountants, bookkeeper, insurance brokers, program officer/program advisor, etc)
43. If there will be staff then will there be clarity as to the role, relationship and expectations of board vs. staff?
44. What transparency will there be about grantmaking and operations vs. privacy?
45. What branding will the foundation have?
46. Will the foundation create a communications plan? Do you need a website and/social media? Do you need to reserve URLs and social media accounts?
47. Will the foundation accept restricted gifts (such as endowments) or have donor advised funds?
48. What non-financial resources will be deployed, if any?
49. What sort of annual calendar/dates will be used? How often will the board meet?
50. Will you have a system to arrange board meetings, take minutes, keep board documents easily accessible to board members?
51. When will the AGM be held?
52. Will you have board/staff education sessions?
53. What is the anticipated life-cycle of the foundation? Is it anticipated to go on for decades or will most of the funding be spent over a decade or two during the lifetime of a major contributor?

54. If the foundation is part of a “group” will you have a policy on how the multiple entities will work together in compliance with the requirements of charity law and how the charity will maintain sufficient separation so that there is no confusion in the publics’ mind, the CRA and internally between the charity and other non-charities?

55. How will you fund your grantmaking? Do you need further resources through fundraising, applying for grants, investment income or will you work collaboratively with other funders to fund priority areas or programs? Do you have a long-term fund or do you expect annual cash injections from one or more donors?

We hope that these questions will help when you are thinking about your foundation. We assist many foundations with compliance issues and if your foundation wishes to hire our law firm then please get in contact with us.

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