

SELKIRK & DISTRICT COMMUNITY FOUNDATION INC.

Risk Management Policy

The Selkirk & District Community Foundation (S&D CF) knows that risk management is critical to the overall viability of the organization. Operations have become complex and there is an increasing need to protect the organization's charitable status from legal and other risks that could result from an event or situation. Risks can generally be reduced or avoided by good risk management.

The S&D CF has an obligation to model high standards of accountability, at a time when charitable organizations are being closely scrutinized by donors, government agencies and the public. The oversight of risk management is one of the key responsibilities of the Board of Directors and while it can delegate the management of risk, it cannot delegate its responsibility for oversight.

Risk:

Risk can be defined as an event or situation that prevents the S&D CF from reaching an objective. The organization in turn manages that risk by:

- Identifying possible situations or events that could impede or prevent us from achieving our objectives;
- Minimizing the likelihood of their occurrence; and
- Reducing the impact if they do occur.

Policy Statement:

The S&D CF recognizes that there are elements of risk inherent in all activities undertaken to meet the foundation's mission statement, and shall apply a series of management policies, procedures, and practices to the tasks of mitigating and preventing risks and resolving the risks when they occur.

Identification of risks:

Compliance Risk:

Compliance risk includes statutory reporting, maintenance of adequate records, restrictions on the use of donor funds, and the remittance of payroll deductions. The failure to manage this risk could result in the loss of charitable status.

To manage compliance risk:

- S&D CF's Treasurer shall report annually to the Board of Directors with a compliance report that confirms that:
 - Employee wages and benefits are paid in full to current date
 - Payroll deductions have been remitted
 - GST return has been filed
 - Charitable Information Return (T3010) has been filed
 - Manitoba Corporation Annual Return has been filed
 - Insurance Policies (if any) are in place
 - Banking and Investment Account signing authorities are current.

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- S&D CF's Board of Directors shall review on a scheduled basis policies and procedures that guide the work of the foundation in the following areas:
 - Governance
 - Foundation's bylaws
 - Role and Responsibilities of Directors
 - Role of Officers of the Board
 - Financial Accountability
 - Conflict of Interest
 - Confidentiality
 - Code of Conduct
 - Risk Management
 - Planning – Strategic, Annual Operating Plan and Planning Cycle
 - Non Board Members on the Sub-Committees
 - Qualifications and Duties of the Executive Director.
 - Financial Management
 - Asset Management Governance
 - Investment Policies and Guidelines
 - Recording and Publishing Donations
 - Expense Reimbursement
 - Spending (Disbursement of Funds)
 - Granting Policy and Guidelines
 - Donor and Gift Management
 - Gift Acceptance
 - Allocation of Gifts to Various Funds
 - Privacy of Personal Information and Electronic Records
 - Administrative
 - Community Representation and Media Communications
 - Special Leadership Initiatives.
- S&D CF's Board approves all grants issued and puts in place processes, policies and oversight to ensure that donated funds are consistent with the donor's directions.

Reputational Risk:

Reputational risk includes risk of becoming irrelevant, losing support of the public, failure to respond to economic, demographic and other trends.

To manage reputational risk:

- S&D CF's Board of Directors participates in a strategic planning exercise every three years that culminates in their approval of a formal plan prepared by staff.
- S&D CF staff and the Treasurer prepares an annual operating plan based on the strategic plan and reports on it to the Board on an annual basis.
- New funds established are acknowledged by a contract signed by two officers which usually includes the Chair of the Board detailing the terms of the agreement.
- S&D CF's Board of Directors, staff and volunteers are expected to uphold the Code of Conduct Policy.

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Financial Risk:

The Foundation is exposed to a variety of financial risks as a result of its investment activities. Consequently, it has adopted investment policies, standards and practices designed to avoid undue risk of loss and impairment of assets, and to provide a reasonable expectation of fair return given the nature of the investments.

- **Diversification Within Asset Classes**

- Diversification between asset classes is provided through the asset allocation guidelines set forth in the Investment Guidelines Policy.
- Diversification within each asset class is provided by limiting the percentage of the market value of Fund assets invested in a single security not guaranteed by the government of Canada or of a Canadian province and by restricting investments in a group of equities whose returns are expected to be highly correlated.
- No more than 20% of the Canadian or Foreign equity portion of the Fund will be invested in the securities of a single issuer, except index funds.
- No more than 20% of the mortgage portion of the Fund will be invested in the securities issued or guaranteed by any one corporation.
- No more than 20% of the bond portion of the Fund will be invested in the securities issued or guaranteed by any one corporation or municipality.
- No more than 40% of the bond portfolio will be invested in securities issued or guaranteed by the government of a single Canadian province.
- No more than 50% of the bond portfolio will be invested in corporate and municipal issues. Written permission from the Investment Committee will be required in order to increase these percentages.

- **Interest Rate Risk**

- The duration of the bond portfolio will be between one and a half years either side of the duration of the Scotia Capital Markets Universe Index.
- For the purpose of calculating the duration of the bond portfolio, short-term investments may be included, at the **Investment** Committee's or the **Investment** Manager's discretion. The Manager will indicate how this calculation is made in all compliance reporting to the Committee.

- **Liquidity**

- Liquidity is enhanced by not allowing direct investments in real estate, venture capital, and resource properties as specified in the asset allocation guidelines set forth in the Investment Guidelines Policy.

- **Quality**

- Short-term investments will have a minimum credit rating of R-1* or its equivalent when purchased.
- 90% of the bond portfolio investments will have a minimum credit rating of A** or its equivalent when purchased. Up to 10% of the bond portfolio may be invested in bonds with a BBB rating.

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- The weighted average credit rating of the bond portfolio will be maintained at or above A+.
- The **Investment** Manager will notify the **Investment** Committee and take immediate action to correct the situation when:
 - i. more than 5% of the market value of short term securities has a credit rating lower than R-1* or its equivalent; or
 - ii. more than 10% of the market value of bond portfolio investments has a credit rating lower than A** or its equivalent.
- Unrated bonds will be assumed to fail all of the credit ratings referred to in this section.

* credit ratings used by the Dominion Bond Rating Service

** credit ratings used by the S&P Canada Bond Rating Service

- **Currency**

- Currency risk is controlled by limiting the investment in foreign stocks as specified in the asset allocation guidelines set forth in the Investment Guidelines Policy.
- No more than 20% of the market value of the bond portfolio will be denominated in foreign currencies.
- No more than 10% of the market value of the mortgage portfolio will be denominated in foreign currencies.

- **Short Term Funds**

- The Foundation also operates a Savings account for the purpose of earning income on cash that is expected to be used in the foreseeable future. The Savings account may hold cash available for granting, flow through funding, administrative funds, capital, which is temporary or permanent capital, which has not yet been turned over to the long term investment manager.

Human Capital Risk:

Human capital risk is that the workforce is unable to deliver reports and objectives consistent with approved plans.

To mitigate human capital risk:

- Succession planning for the employees shall be reviewed with the Board of Directors.
- Human resource policies should be designed to attract qualified people and facilitate employee engagement.
- Succession planning for the volunteers shall be reviewed by the Executive Committee.

Governance Risk:

Governance risk would occur when the Board of Directors exercises insufficient oversight or poor decision making.

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To mitigate governance risk:

- A Nominations Committee has been established by the Foundation's bylaws and the Committee ensures that the Board has diverse skills represented by its members and the members are qualified to offer appropriate oversight.
- The Board of Directors has appointed permanent committees to assist with oversight and decision making:
 - Executive Committee
 - Investment Committee
 - Grants Committee
 - Fund Development Committee
 - Policy Review and Development Committee.
- The permanent committees report regularly to the Board on their respective mandates.

Fraud Risk:

Fraud risk is any intentional act committed to secure an unfair or unlawful gain.

To mitigate fraud risk:

- Code of Conduct policy has been implemented
- Conflict of Interest policy has been implemented
- Strong internal controls are maintained.

Business Continuity Risk:

Business continuity risk would occur in the event of a substantial risk actually happening.

To reduce the impact of a business continuity risk:

- The laptop files are backed up weekly by the Executive Director and the Administrative Assistant. The backups are to be taken off site by the Executive Director.

This policy is to be reviewed every two years.

ADOPTED at a meeting of the Board of Directors of the Foundation:

DATE: December 9, 2014

Chair _____ **Kelly Lewis**

Secretary _____ **Shirley Muir**