

WEST PARRY SOUND HEALTH CENTRE FOUNDATION
POLICIES & PROCEDURES

INVESTMENT and DONATED SECURITIES POLICY

INVESTMENT POLICY

1.0 Governance

The Foundation maintains two categories pools of funds: short term and endowed long term pools. The Finance Committee is responsible for both pools within the framework as authorized by the Board of Directors. The Committee will:

- recommend the appropriate investment philosophy, investment objectives and policy statement.
- monitor the performance of the Foundation's investments.
- report on the investments to the Board of Directors.
- annually review credit standing of all institutions with whom we do business.

Policies and practices governing the investment of funds of the Foundation are the responsibility of the Finance Committees. The Committees are directed to reexamine this allocation policy periodically, in light of significant changes in any of the following:

- a) long term capital market prospects;
- b) the Foundation's risk tolerance; or
- c) any other factors considered relevant by the Committees.

2.0 Short Term Pool

Funds in this pool are typically held until needed.

This section of the investment policy governs the manner in which the Foundation's short term funds are to be invested. The intention is to provide the Finance Committee with a process that reasonably ensures an appropriate return on investment while minimizing the risk inherent in all investments.

The short term investments of the Foundation are to be managed in order to achieve the following objectives:

- a) to preserve capital
- b) to generate income
- c) to meet liquidity needs of the Foundation
- d) to support the general operations of the Foundation and to comply with the requirements of the Canada Revenue Agency and the Trustees Act.

2.1 Short Term Investment Guidelines

Investment purchases will be made through approved financial institutions or dealers as authorized by the Board of Directors.

- a) The following approved financial institutions up to \$3,000,000:
 - Bank of Montreal
 - CIBC

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- National Bank of Canada
 - Royal Bank
 - Scotiabank
- b) Any CIDC or provincially insured member up to the Ontario Deposit Insurance Guarantee (DICO) limit
- c) Any financial instrument guaranteed by the Canadian or provincial government.

2.2 Cash Flows

Based on the approved annual operating budget and disbursement plans, the Executive Director is responsible for a minimum semi-annual cash flow forecast, using reasonable and prudent assumptions regarding the expected collection of donations and the timing of cash outflows for operating and disbursement expense. The resulting cash flow will be used to determine the amount and timing of investment products to be purchased.

2.3 Timing and Maturity Dates

Investing activities should be reviewed at minimum on a semi-annual basis as actual, revised and forecasted operating and capital plans are completed. Maturity dates should be staggered so that investment cash inflows occur throughout the year. Investment terms should vary.

Allocation of assets are to be maintained in cash, money market and fixed income investments.

2.4 Investment Products

Only approved investment products, which include certain Bank, Money Market, guaranteed Government of Canada and Credit Union products can be purchased. These investment products will only be purchased from approved financial institutions or dealers.

In determining the maximum amount of investment allowed in the products of an approved Bank, Money Market, guaranteed Government of Canada or Credit Union product as detailed in Section 2.1, the relevant factor is the party guaranteeing the product not the institution that sold the product.

Money Market products have the following characteristics:

- Short-term investments
- Issued by Governments, Banks
- Available in Canadian dollars
- Bought at a discount and mature at face value
- Highly liquid, can sell on open market or through issuing institution.

The following are approved Bank, Money Market, Government of Canada or Credit Union products and limits:

a) **Government of Canada Treasury Bills**

Government of Canada Treasury Bills are short-term debt obligations issued and guaranteed by the Government of Canada. Issued at bi-weekly auctions, investments

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can be made in amounts of \$100,000 or greater for terms ranging from one week to one year.

b) **Government of Canada and Provincial Bonds**

Government of Canada bonds are normally issued with a fixed interest rate at time of issue. While yields on outstanding bond issues rise and fall as a result of changes to market conditions, the Government of Canada guarantees only to pay the full face value of the bond on maturity.

c) **Provincial Treasury Bills, Provincial Promissory Notes**

Provincial Treasury Bills and Promissory Notes are issued by Canada's Provincial Governments. They offer high quality plus a higher rate than similar Government of Canada investments.

d) **Bank Term Deposits (issued and guaranteed by the major Canadian chartered banks)**

Term deposits or GICs are interest-bearing deposits that give a fixed rate of interest over a fixed time period. Issued and guaranteed by a Canadian Chartered Bank, they are non-negotiable and non-transferable. They can sometimes be cashed before maturity subject to investment terms.

e) **Bankers' Acceptances (issued and guaranteed by the major Canadian chartered banks)**

Bankers' Acceptance notes are short-term debt obligations issued by corporations with repayment of principal at maturity guaranteed by a Canadian Chartered Bank. Bankers' Acceptances carry the same credit rating as the guaranteeing bank.

f) **Bank Bearer Deposit Notes (issued and guaranteed by the major Canadian chartered banks)**

Bearer deposit notes are short-term debt instruments of a Canadian Chartered Bank. Similar to a Bankers' Acceptance except that the debt obligation is that of the Canadian Chartered Bank.

g) **Crown Corporation paper (government-guaranteed commercial paper)**

Crown Corporation paper investments are short-term, unsecured promissory notes issued by a Crown Corporation. They are guaranteed by the Government of Canada and offer the same high quality as Government of Canada Treasury Bills but pay a slightly higher rate of return.

h) **Credit Union Term Deposits or GICs**

Interest-bearing deposits that give a fixed rate of interest over a fixed time period. Insured by the Deposit Insurance Corporation of Ontario to a maximum of \$100,000, they are non-negotiable and non-transferable. They can sometimes be cashed before maturity subject to investment terms.

All corporations and provincial debt is rated by bond rating agencies, DBRS, Moody's and S & P. It is recommended that these investments be kept in the top two ratings.

3.0 **Endowed Long Term Pool**

The Forever Fund Investment Policy Statement is contained in Appendix A. The following are guidelines for the specific policy to be drawn up in conjunction with the Investment Manager. The policy should reflect the fact that the Forever Fund in a permanent fund of capital with an infinite time horizon.

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- a) The capital in the Forever Fund is to be held in perpetuity.
- b) The income from the Fund is to be made available at least annually to the Foundation for disbursement to the hospital for capital acquisition.
- c) The Fund strives to balance the need for current income which should increase on a regular basis with capital preservation in real terms.
- d) Due to the permanent nature of the capital, market fluctuations are of much less concern than steady income.
- e) A minimum of 20 and a maximum of 50 common stocks to be held at any one time. ETFs (exchange traded funds) may be used as a proxy for market participation. However, no more than 25% of the portfolio should be invested through any one ETF provider.
- f) Investment management and any related fees will be charged against realized accumulated capital gains from the prior year. Should there be insufficient realized capital gains, then against income.
- g) It is recognized that capital markets do evolve over time and that the above guidelines will need to be modified from time to time. However the underlying principles of infinite time horizon, regular cash income from securities and inflation protection for both income and capital are paramount.

See Appendix B for the Terms of Reference of the Finance and the Endowment Investment Committees.

4.0 Records & Accounting

Records of investing activities including matured and outstanding investments will be held and maintained by the Foundation office who is also responsible for ensuring that the investing transactions are accounted for and disclosed in accordance with generally accepted accounting principles.

4.1 Reporting

On a quarterly basis, an Investment Report will be prepared for review by the Committees. The Investment Report will provide details of investment balances and month-to-date and year-to-date investment income. A brief narrative of results to date will also be provided. Once approved, it will be submitted for information purposes to the Board of Directors.

4.2 Review Procedures

The Committees shall review Investment Policies and Objectives no less frequently than annually. The Committees will make whatever recommendations they consider advisable to the Board with respect to its confirmation or amendment.

The Committees shall establish criteria for measuring and reviewing the performance of the Foundation's investments with a view to monitoring progress towards the relevant investment objectives.

5.0 Conflict of Interest and Disclosure Requirements

Individuals governed by guidelines:

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- a) any member of the Finance Committee;
- b) any Director or Employee of the Foundation or agent of any of the above retained to provide services to the Foundation.

Any person listed above must disclose any direct or indirect association or material interest or involvement in aspects related to his/her role with regard to the fund investments that would result in any actual or perceived conflict of interest.

Actual or perceived conflict of interest may arise when a person has or acquires material pecuniary interest, direct or indirect, in a fund investment or proposed investment, or when a person may materially benefit from knowledge of, participation in, or by virtue of, a fund investment or investment decision.

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DONATED SECURITIES POLICY

1.0 Objectives and Guidelines

It is important that all donors wishing to give under this guise seek advice from their respective financial and legal agents. The Foundation cannot compute the amount of tax relief, other than to quote the standard rules and laws governing such gifts. At no time is the Foundation under any obligation to accept securities either private or public.

2.0 Process

The process for donating securities to the short term pool is as follows:

- The donor will contact the Foundation office to notify them of his/her intention of transferring securities.
- The Executive Director, or designate, will give the donor the appropriate information of the brokerage firm.
- The Executive Director, or designate, will then complete a transaction record and issue the order to sell the securities within 24 hours or the next business day.
- Upon issuing the order to sell, the Executive Director, or designate, will request a cheque be sent to the Foundation. The donor will receive a tax receipt for the closing market price on the day the Foundation receives the securities.
- Securities will be sold at the earliest possible time with no consideration given to holding on to them for speculation purposes.
- All associated costs of the sales of securities will be borne by the Foundation.

The process for donating securities to the endowed long term pool is as follows:

- The donor will contact the Foundation office to notify them of his/her intention of transferring securities.
- The Executive Director, or designate, will give the donor the appropriate information of the brokerage firm.
- The donor will receive a tax receipt for the closing market price on the day the Foundation receives the securities.
- Investment of the donated securities will fall under the auspices of the Investment Policy Statement.
- All associated costs with the securities will be borne by the Foundation.

3.0 Donated Securities to the Endowment Fund

- Donated securities to the Endowment Fund are to be sold upon receipt by the Investment Manager.