The Community Foundation of Ottawa
Risk Management

The Community Foundation of Ottawa (CFO) 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 CFO 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 Governors 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 CFO 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 CFO 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:

- CFO's Director of Finance and Administration shall report quarterly to the Finance and Audit Committee with a compliance report that confirms that:
  - Employee wages and benefits are paid in full to current date
  - Payroll deductions have been remitted
  - HST returns have been filed
  - Charitable Information Return (T3010) has been filed
  - Corporation Annual Return has been filed
  - Insurance Policies are in place
  - Banking and Investment Account signing authorities are current
- CFO's Board of Governors shall review on a scheduled basis policies and procedures that guide the work of the foundation in the following areas:

- Governance
    - Foundation’s bylaws
    - Code of Ethics Policy
    - Conflict of Interest Policy
    - Whistleblower Protection Policy
- Financial Management
    - Distribution of Fund Earnings Policy
    - External Investment Managers Policy
    - Investment Policy
    - Service Fees Policy
    - Granting Policy
- Asset Development
    - Gift Acceptance Policy
    - Managed Funds Policy
- Administrative
    - Appointment and Review of Investment Counsel Policy
    - Privacy Policy
- CFO’s Board reviews a summary of 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:

- CFO’s Board of Governors participates in a strategic planning exercise every three years that culminates in their approval of a formal plan prepared by staff
- CFO staff prepares an annual operating plan based on the strategic plan and reports on it to the Board on a quarterly 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
- CFO’s Board of Governors, staff and volunteers are expected to uphold the Code of Ethics Policy

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.

- Market Risk: value will fluctuate because of changes in market prices
    - Currency Risk: US equity portion of investment portfolio is managed by hedging with forward currency contracts
    - Interest Rate Risk: The Foundation’s investment manager takes steps in the active management of the bond portfolio to mitigate this risk
    - Other Price Risk: The Foundation’s investment policy requires investments to be spread across a broad range of securities

- Credit Risk: one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation
  - Bonds must be A- or higher
  - Hedging contract for US dollars in place with one of the major banks
- Concentration Risk: an investment portfolio will have greater exposure due to a concentration in securities with similar characteristics or subject to similar economic or other conditions
  - Investment Committee ensures portfolio adheres to the investment policy which identifies and limits geographic allocations as well as limits individual equity holdings
- Liquidity Risk: unable to generate sufficient cash or its equivalent in a timely and cost effective manner
  - The Foundation mitigates liquidity risk by limiting its investments to financial instruments that are publicly traded in active markets and thereby readily disposable

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 is reviewed with the Board of Governors
- Performance management system has been established consistent with a talent / reward strategy
- Human resource policies are designed to attract qualified people and facilitate employee engagement

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

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 Governors has appointed permanent committees to assist with oversight and decision making:
  - Finance and Audit Committee
  - Investment Committee
  - Governance Committee
  - Grants Committee
  - Impact Investing 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 ethics policy has been implemented

- Whistleblower policy has been implemented
- Finance and Audit Committee meets in camera with independent auditors
- Strong internal controls 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:

- A business continuity plan and policy has been established
    - Informs staff, volunteers, Board, key donors and vendors, and community of any disruption
    - Protects assets and vital records
    - Maintains continuity of business services and supports operations

Review: To be reviewed annually by the Finance and Audit Committee.

Review: To be reviewed every three years by the Board of Governors.

ORIGINAL EFFECTIVE DATE:	**November 27, 2012**
SUBJECT TO REVIEW:	**2015**