

# Private Foundation Collaborations

Co-Investing or Co-Creating solutions is a great way to move the dial on complex social issues. It is also a wonderful way to engage your family and friends in unique philanthropic experiences. This document highlights how you can be most effective with your international charitable activities, and how to stay on the right-side of the CRA.

## What are the rules:

1. You can conduct your OWN activities as separate entities OR
2. You can fund other CANADIAN foundations to execute on the solutions OR
3. You can create a new entity with a collective of organizations (regardless of corporate structure)

## What are charitable activities?

“Activities that further a purpose recognized as charitable under common law (CANADIAN), such as providing housing to the homeless, scholarships to students or medical care to the sick.” (*Section 5.1 CRA Charities policies and guidelines*).

## 1. CRA Requirements

- Create a written agreement with the Intermediary and implement its terms
- Communicate a clear, complete, and detailed description of the activity to the Intermediary
- Monitor and supervise the activity
- Provide clear, complete, and detailed instructions to the Intermediary on an ongoing basis
- For agency relationships, segregate funds, as well as maintain separate books and records
- Make periodic transfers of resources, based on demonstrated performance
- A Charity must maintain a record of steps taken to direct and control the use of its resources, as part of its books and records, to allow the CRA to verify that all of the Charity’s resources have been used for its own activities

## Maintaining control

The foundation must have direct control over the use of its resources in order to meet the CRA standards of conducting its own activities. Your foundation must be the body that makes the controlling decisions around the project, program or organization that is operating outside of Canada. These decisions relate to:

- How the services will be provided
- The overall goals and objectives of the project
- Geographic region of the program/service
- Direct beneficiaries of the program/service
- What your foundation’s money will be used for (purchases, staffing, etc.)
- Beginning and end date of the program/project
- Ability to intervene on day-to-day decisions should the need arise

The Collective is responsible for “right-sizing” the resources allocated to the program/service. This means that it has to have an understanding of the amount resources required to execute on the program/service. Have clarity on the complexity of the issue and cultural norms that dictate how programs and services will be delivered in-country. Have expertise in order to supervise the delivery of the program and previous experience operating or supporting projects in that area (either geography or issue).



## Pitfalls

Working in a collective has a unique set of risks. These risks range from being off-side with the CRA to coming head-on with cultural challenges between partners. All of these risks can be managed by understanding the relationship between you, the funder, and the operating entity(ies) and ultimately the end goal. In order to help manage these risks we have compiled a "Must Have's" list. These are items that will make operating overseas easier and less stressful should the CRA come knocking.

## How we can help

Karma & Cents and our team of experts can help you navigate the complex waters of international development. By working with you and your family we can help you articulate the business objectives of your foundation in order to design a path forward. From here we can connect you with the appropriate technical advisors (legal, financial and tax) to create the right corporate structures and intermediary agreements so that you can successfully fund and operate your charitable activities overseas. Finally, we can help activate and leverage your international dollars by connecting you with other international funders that seek out partnerships with private philanthropists. All of this is done to ensure that you get the biggest bang for your international development buck.