

St. Paul's Hospital Foundation
ADMINISTRATIVE POLICY AND PROCEDURE

Policy #18
Recovery of Fund Raising Costs (ROFRC)

INTENT

To more closely associate benefits and costs across all donations to generate a pool of resources that will be available for the operation of the Foundation, the Foundation requires a Recovery of Fund Raising Policy.

POLICY

Undesignated donations to SPH Foundation are accounted for in the general fund and traditionally have incurred the majority of Foundation operational expenses. Although it is reasonable for undesignated donations to support these efforts, it is not unreasonable for designated initiatives and activities to also support a portion of these costs through a defined administration or cost of fund raising fee. Designated funds include departmental accounts, allocated gifts, special events, campaign donations and endowment assets.

Departmental accounts will be assessed a quarterly 15% fee on donations received in order to follow the common practice of all foundations within the Saskatoon Health Region.

Endowment assets (rather than endowment donations) will be assessed an annual 1.0% administration fee on year-end balances after disbursements to the extent the principle is not encroached upon.

All other designated funds will be assessed an annual fee on net revenue as required to cover operations expenses in excess of available general funds; the fee to be determined at year-end.

As required, this policy will also address the need to recognize and address net losses or continued low returns on investments.

PROCEDURE

ROFRC will be taken into account prior to establishing campaign and major equipment / renovation revenue goals.

By mid-February, prior to the annual audit, draft ROFRC calculations will be determined. In preparation for the annual audited financial report, the Foundation shall allocate its annual operating expenses against the revenue amounts which comprise its net assets. Once the annual audit adjustments are provided, a final ROFRC will be calculated and the transfers made.

Foundation operating expenses are to be covered as follows:

Approved by SPHF Board October 24, 2013
Reviewed/revised February 2016 – Approved by SPHF Board March 24, 2016
Reviewed/revised November 2017 – Approved by SPHF Board November 23, 2017

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1. All Departmental funds will be assessed a quarterly fee of 15% of the total donations received in the period to a maximum fee of \$5,000 per quarter. Exception will be made for accounts established and funded by the Foundation, such as the Healing Arts Program fund. Allocations from Departmental accounts will be reflected in the SPH Managers' quarterly account statements.
2. Endowment donations will not be charged a ROFRC fee. Instead, at year-end, an annual maximum of 1.0% administration fee will be charged to balances in the capital account of each endowment. This fee will not encroach upon the endowment principle.
3. To meet the specified annual allocation requirement and ensure the financial sustainability of the Grey Nuns Legacy and the St. Marguerite d'Youville Endowments the annual administration fee for these funds will be limited to 0.5%.
4. Annual commitments to SPH that do not have designated funding, such as Healing Arts and Foundation Draws, shall be deducted from general funds. All remaining general funds after these commitments will be allocated to operating expenses.
5. Expenses directly related to the generation of specific classes of revenue will be charged in their entirety against those funds, e.g. Gift Shop, special event expenses, direct marketing costs, lottery consulting fees and investment fees.
6. Any remaining expenses will be allocated pro rata among all remaining fund balances. Exceptions, with the CEO's discretionary approval, may be required in respect of specific donor designations of fixed amounts. Pledge funds will be charged ROFRC in the fiscal year of pledge payment receipt.

With reference to #6 above, the CEO shall have authority to implement a ROFRC to a maximum of 20%. If the funds required to cover expenses exceed this 20% cap, the CEO shall seek Audit and Finance Committee approval of the ROFRC percentage, prior to implementation. The CEO will report the ROFRC percentage to the SPHF Audit and Finance Committee at their March meeting.

Prior to ROFRC policy activation, a \$1,000,000 operating and contingency fund will be established and maintained. This fund will be replenished at year end, as required, as per above policy standards.