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# Endowment Incentives Component

CANADA CULTURAL  
INVESTMENT FUND

Applicant's Guide

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# 1. Introduction

The objectives of the Canada Cultural Investment Fund (CCIF) are to support arts and heritage organizations in diversifying their revenues, to strengthen their organizational and management capacities and to help them be better rooted and recognized in their communities. The program has four components that work together in achieving these objectives: **Endowment Incentives**, Cultural Capitals of Canada, Limited Support to Endangered Arts Organizations and Strategic Initiatives.

## 1.1 ENDOWMENT INCENTIVES COMPONENT OBJECTIVES

This component is intended to foster a climate which encourages private donors to contribute to endowment funds for not-for-profit professional arts organizations in order that they may access new sources of funding in the future. Raising capital and creating endowments for arts organizations further diversifies their revenue streams which in turn helps them realize their artistic goals. This component invites active involvement from the private sector in the cultural affairs of the community by providing matching funds of up to one dollar for every dollar raised from private donors, to create endowment funds or to increase existing ones.

Please refer to the Glossary for the definitions of words in this document that appear in italics.

# 2. Eligibility Criteria

An application to the Endowment Incentives component must be submitted jointly by a not-for-profit professional arts organization and an associated foundation. Each of these two parties must meet the respective eligibility criteria. The foundation becomes the recipient of the matching funds; the not-for-profit professional arts organization is the final beneficiary of the income generated from the foundation's investment.

## 2.1 ASSOCIATE FOUNDATION

To be eligible, the foundation must:

- be a publicly registered charitable foundation at the time of application, as described in subsection 149.1(1) of the *Income Tax Act*, whose mandate is to accumulate, administer, and invest capital assets for the purpose of providing part or all the annual income to the beneficiary arts organization.

## 2.2 BENEFICIARY ARTS ORGANIZATION

To be eligible, the not-for-profit professional arts organization must:

- be incorporated under the appropriate federal, provincial or territorial legislation;
- have as its principal mission (core purpose as outlined in their mission statement):
  - the *creation or production* of professional artistic works;
  - the presentation of professional artistic works; or
  - the training of professional artists;
- And receive support from one of the following:<sup>1</sup>
  - Canada Council for the Arts or
  - Department of Canadian Heritage, specifically the Canada Arts Presentation Fund or the Canada Arts Training Fund, or the Fathers of Confederation Building Trust.

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<sup>1</sup> Applications from organizations that received funds under this component prior to the addition of this criterion in 2005-2006 will be considered.

In addition, the not-for-profit professional arts organization:

- must have been in operation for a minimum of three years prior to the application; and
- cannot have a negative *net assets ratio* in excess of 15% of the total revenues for the fiscal year. The net assets used in the calculation must exclude any externally restricted components. Both figures (*net assets* and total revenues) to be used in this calculation are based on the *financial statements*, presented according to the generally accepted accounting principles of Canada.

### 2.3 INELIGIBLE ORGANIZATIONS

The following are not eligible under this component:

- *Heritage organizations*;
- Competitions; and
- Federal agencies, Crown corporations, provinces, territories, and municipalities and their agencies.

## 3. Evaluation Process and Criteria

All applicants are encouraged to contact the CCIF office at the Department of Canadian Heritage before submitting a completed application. See section 8 for contact information.

After the Program has received a complete application, the eligibility of the arts organization and the foundation is evaluated. The evaluation is based on the information provided in the Application Form and all supporting documents.

Additional information may be requested to enhance the evaluation process. For example, if the arts organization has been in a deficit position for the past two (or more) years, a written analysis of what has led to the deficit position as well as what plans have been put in place to improve the financial health of the organization may be required.

## 4. Funding

The final amount of the *grant* will be determined once all applications have been assessed for eligibility. Recommended applicants receive a *grant* from the Department to match the funds raised from donations up to a maximum of one dollar for each dollar raised, **depending on the availability of funds and the number of successful applicants**.

### 4.1 MAXIMUM AMOUNT OF FUNDING

- The maximum amount of funding that can be requested in each fiscal year is the lesser of \$2,000,000 or 50% of the average value of the total revenues for the past three completed fiscal years.
- The maximum an organization can receive from this component is \$10,000,000 over the life of this program.

#### 4.2 ELIGIBLE FOR MATCHING

- To be considered for matching funds, donations must come from private sources. These can include non-governmental sources such as gifts from individuals, corporations or non-government foundations.
- Funds can also include an amount an arts organization has decided to donate in perpetuity, out of its own assets, to the endowment fund held by its partner foundation.
- Only raised and deposited donations are eligible to be matched.

#### 4.3 INELIGIBLE FOR MATCHING

- Public funds, from any level of government, will not be considered for matching.
- Pledges and *bequests* in probate are not eligible.

#### 4.4 CALCULATING THE MAXIMUM POTENTIAL GRANT

To estimate the maximum potential *grant*, the applicant arts organization should:

- Calculate its average annual operating revenue based on the last three completed fiscal years, from the date of application; and
- Calculate 50% of this amount.

Note 4.4.1: The following represents hypothetical situations only. These examples are meant to assist with calculations and do not prescribe either the fiscal years or the revenues for participation in this component.

#### Example A

Step 1: Calculate average annual operating revenue

<b>Fiscal years</b>	<b>Annual operating revenue</b>
Completed fiscal year 1 (most recent)	\$3,000,000
Completed fiscal year 2	\$2,500,000
Completed fiscal year 3	\$3,500,000
<b>Total</b>	<b>\$9,000,000</b>

Average annual operating revenue (divide by three) = \$3,000,000

Step 2: The maximum potential *grant* for a successful applicant is the lesser of 50% of this amount or \$2,000,000.

Step 3: \$3,000,000 x 50% = \$1,500,000

For this applicant, \$1,500,000 is the maximum that can be matched under the Endowment Incentives Component, provided the applicant has not reached the total maximum accumulated amount of \$10,000,000.

## Example B

Step 1: Calculate the average annual operating revenue

<b>Fiscal years</b>	<b>Annual operating revenue</b>
Completed fiscal year 1 (most recent)	\$25,000,000
Completed fiscal year 2	\$21,000,000
Completed fiscal year 3	\$26,000,000
<b>Total</b>	<b>\$72,000,000</b>

Average annual operating revenue (divide by three) = \$24,000,000

Step 2: The maximum potential *grant* for a successful applicant is the lesser of 50% of this amount or \$2,000,000.

Step 3: \$24,000,000 x 50% = \$12,000,000

For this applicant, \$2,000,000 is the maximum that can be matched under the Endowment Incentives Component provided that the applicant has not reached the total maximum accumulated amount of \$10,000,000.

## 5. Method of Payment and Funding Conditions

- 5.1 If the application is approved, payments will be made in the form of grants. Prior to the release of funds, a grant agreement specifying conditions for restricted capitalization, control and accountability mechanisms must be signed by the recipient foundation.
- 5.2 The *grant* from the Endowments Incentive component, together with the equivalent sum raised from private donors, must be capitalized in perpetuity in the recipient's restricted assets, in accordance with the limitations outlined in the grant agreement. Only the income generated by the funds will be made available to the associated not-for-profit arts organization.
- 5.3 The difference between the amount of money accumulated in an endowment fund and the amount granted under the Endowment Incentives component is not subject to the grant agreement restrictions. However it may be subject to other restrictions such as donors' conditions. For example, if a Foundation requested \$2,000,000 under the component and received a grant of \$1,500,000, the difference of \$500,000 is not subject to the grant agreement restrictions set by Canadian Heritage.
- 5.4 A *grant* may not be subject to any cost or other expenditure, other than reasonable and standard administration and investment charges, which shall not exceed 2% of the value of the *grant* as recorded for the preceding fiscal year.
- 5.5 The cost of fundraising activities must be borne by the operational budgets of the beneficiary arts organization if the beneficiary arts organization is partnering with a foundation other than its own.
- 5.6 The foundation and the beneficiary arts organization must be able to certify that current or former public office holders or public servants in their employ are in compliance with the *Values and Ethics Code for the Public Service* and the *Conflict of Interest and Post Employment Code for Public Office Holders* in all matters relating to the affairs of the applicants.
- 5.7 The Government of Canada wishes, where appropriate, to promote English and French in Canadian society and support the development of official language minority communities. To support the Government and the Department of Canadian Heritage in achieving these objectives, the Recipient is to

ensure that the acknowledgement of the Department’s support for the project is expressed in English and in French. Grant agreements to be signed with the recipients will include a clause in this regard.

- 5.8 The guidelines for acknowledging public funding from the Department can be found at [www.pch.gc.ca](http://www.pch.gc.ca). The recipients must also respect the Department’s official signature logo. If you require further assistance, please contact us (see Section 8 for contact information).
- 5.9 All foundations are required to report on results achieved to assist the Program in collecting data for evidence-based impact analysis. Please note that this information will be used for statistical and trends analysis (see Annex V).

## 6. Application Requirements

- The foundation and the arts organization must complete their respective forms and together submit all required documentation, including their respective application checklist.
- Checklists for both the foundation and the arts organization can be found in Annex IV.
- See Annexes I – V and complete the required annexes as per the table below.

<b>Required Annexes</b>	<b>Foundation</b>	<b>Arts Organization</b>
Annex I General Application for Funding	Required	Required
Annex II Governance Practices Disclosure	Not required	Required
Annex III Certification	Required	Required
Annex IV Checklist	Required	Required
Annex V Report on Results	Required	Not required

## 7. Deadline

All completed applications and support material must be postmarked no later than December 1.

Only private donations raised and deposited in the twelve months preceding the deadline are eligible to be matched, as per the table below:

<b>Deadline</b>	<b>Eligible period for raising/depositing funds</b>
December 1, 2012	December 1, 2011 to November 30, 2012
December 1, 2013	December 1, 2012 to November 30, 2013
December 1, 2014	December 1, 2013 to November 30, 2014

If you do not receive an acknowledgement of delivery by e-mail three weeks following the submission of your application, please contact us.

## 8. Submitting an Application

Only completed applications sent with all requested supporting material and postmarked no later than the published deadline will be considered. Any contractual agreements involving either or both the arts organization or the associated foundation before the application is approved are undertaken at their own risk.

Application forms are available at: <http://www.pch.gc.ca/eng/1268614803109>

### SEND COMPLETED APPLICATIONS TO:

Department of Canadian Heritage  
Canada Cultural Investment Fund (CCIF)  
Endowment Incentives Component  
25 Eddy Street, 13th Floor (25-13-V)  
Gatineau, QC K1A 0M5

### FOR MORE INFORMATION PLEASE CONTACT:

Email: fcic-ccif@pch.gc.ca  
Telephone: 819-997-3955  
Toll-free\*: 1-866-811-0055  
Facsimile: 819-994-6249  
TTY\*\*(Toll-free): 1-888-997-3123

\*The toll-free lines have agents available to answer your questions, Monday to Friday, 8:00 a.m. to 6:00 p.m. (Eastern Time).

\*\*The TTY is a telecommunication device for people who are deaf, with a hearing disability, or speech-impaired.

### OUR COMMITMENT TO PRIVACY

The Government of Canada is committed to respecting the personal privacy of individuals who visit our web site. All personal information you do provide is protected under the federal *Privacy Act*.

### TECHNICAL QUESTIONS

If you experience difficulties while browsing or navigating the web site of the Department of Canadian Heritage, please use our feedback form to send technical questions or comments.

All applications submitted are subject to the *Access to Information Act* and the *Privacy Act*.



## 9. Glossary

This glossary provides definitions of words in this document that appear in italics. For the purposes of the Endowment Incentives component, the following definitions apply.

### **Arts presenters**

Arts presenters select the artistic programming for public presentation in their community based on an artistic vision. They hire professional artists, groups and companies and are responsible for paying a guaranteed fee for each presentation. They provide the venue and supply the technical and promotional support. Presenters may also organize audience development and/or outreach in support of their artistic programming. They have a thorough knowledge of the audiences in their communities, of the professional arts community and of the various networks that support both the artists and the presenters.

### **Bequests**

A bequest is property a registered charity receives from the will of a deceased person. Bequests received by a foundation are eligible for matching. However bequests not yet received, such as from an estate in probate, are not eligible for matching through the Endowment Incentives component.

### **Business plan**

The business plan is a working tool for turning a *strategic plan* into reality. It provides a road map for board, staff and organizational partners and is used to attract in particular private sector funders (foundations, corporations and individual donors). Typical arts business plans project organizational growth for the next two to five years. They include financial projections and targets, the size of markets (actual and potential) as well as information on market trends. A business plan describes how the organization is accountable to the community and the methods for monitoring and evaluating progress. A business plan may be a document separate from the organization's *strategic plan*, or it may incorporate the *strategic plan*.

### **Creation / Production**

Artistic work, research and production of a new or substantially revised artwork, e.g. play, dance, score, script, sculpture, video or installation. Production also covers stage revivals and may include presentation in certain fields, such as theatre or dance (see also **arts presenters**).

### **Financial statements**

A set of financial documents (a statement of financial position; a statement of operations; and a statement of changes in financial position) that, taken together, provide the reader with a picture of the financial viability and management capacity of an organization.

#### **a) Audited financial statements**

A certified accountant has performed auditing activities in accordance with generally accepted auditing standards. An auditor's report, without any qualifications or reservations, will generally include three paragraphs:

- an introductory paragraph identifying what statements have been audited, that the financial statements are the responsibility of the entity's management and that it is the auditor's responsibility to express an opinion on the financial statements based on the results of the audit;
- a scope paragraph indicating that the audit was conducted in accordance with generally accepted auditing standards that require planning and execution of auditing activities to provide reasonable assurance that the statements are free from material misstatements and the nature of audit activities performed; and
- an opinion paragraph stating whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity in accordance with generally accepted accounting principles.

## **b) Review engagement report**

The review engagement report differs from the audit report in that the scope of a review is less than that of an audit; therefore the level of assurance provided to the reader of the financial statements is lower. A review engagement report will generally include three paragraphs:

- an introductory paragraph identifying what statements have been reviewed, that the review was conducted in accordance with generally accepted standards for review engagements, consisting primarily of enquiry, analytical procedures and discussion related to information provided to the certified accountant by the entity;
- a statement that a review does not constitute an audit and that the certified accountant is not expressing an audit opinion on the financial statements; and
- a conclusion indicating whether anything has come to the certified accountant's attention that causes the accountant to believe that the information being reported on is not, in all material respects, in accordance with generally accepted accounting principles.

## **Grant**

A transfer payment that is subject to pre-established eligibility and other entitlement criteria. A grant is not subject to being accounted for by a recipient and is not normally subject to audit by the department in question. The recipient may be required to report on results achieved.

## **Heritage organizations**

For the purposes of the Department of Canadian Heritage, heritage organizations have a mandate to collect, preserve, interpret, and present collections to the public and may include museums, archives, heritage centres, historic and natural heritage sites and libraries.

## **Management letter**

A letter from a chartered accountant which normally accompanies *audited financial statements*. Based on the chartered accountant's audit and analysis of the organization's financial records and statements, this letter communicates observations of particular interest to the organization's management.

## **Net assets**

Net assets equal total assets (excluding externally limited/restricted items) less total liabilities.

## **Net assets ratio**

Net assets ratio equals *net assets* less any externally restricted components, divided by the total revenues for the fiscal year. Figures to be used in this calculation are based on the *financial statements*, presented according to the generally accepted accounting principles of Canada. To be eligible, an organization cannot have a negative net assets ratio in excess of 15%.

## **Strategic plan**

The strategic plan clearly describes an organization's mandate, its near, mid and long-term goals or objectives, as well as the priority actions necessary to realize these goals and objectives. The strategic planning process should analyze the internal and external factors, assess the risks and determine mitigation plans.