

# Memorandum to the Council of Corporation of the Municipality of Temagami

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**Subject:** Flow-Through Request for TREDCO Donations and Grants

**Memo No:** 2025-M-194

**Date:** August 14, 2025

**Attachment:** Appendix A – Correspondence from Cathy Dwyer, Chair of TREDCO

**Prepared By:** Laala Jahanshahloo - CAO/Treasurer

## Recommendation

BE IT RESOLVED THAT Council receives Memo 2025-M-194 and the attached correspondence from the Temagami Region Economic Development Corporation (TREDCO);

AND FURTHER THAT Council approve, in principle, the Municipality acting as a flow-through recipient for TREDCO donations and grants under the terms of a Transfer Payment Agreement;

AND FURTHER THAT Council authorize the CAO and/or Clerk to execute the Transfer Payment Agreement between the Municipality and TREDCO.

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## 1. Executive Summary

The Temagami Region Economic Development Corporation (TREDCO) is an independent, arm's-length not-for-profit corporation incorporated August 26, 2024 under the *Not-for-Profit Corporations Act, 2010*. It is governed by a volunteer Board of Directors representing local business, tourism, and community interests. TREDCO's mandate is to foster sustainable economic growth in the Temagami region by supporting existing businesses, attracting new investment, promoting tourism, and showcasing the area's cultural, historical, and natural assets.

TREDCO has requested that the Municipality act as a flow-through recipient for designated donations and grants. Many funding bodies require that monies be received by a "qualified donee" — a status the Municipality holds under the *Income Tax Act*. Without a formal agreement, risks include the absence of a clear audit trail, potential Canada Revenue Agency (CRA) concerns about acting as a "conduit," and increased exposure to misuse or misdirection of funds.

Without a formal agreement, the Municipality would face several risks, including the absence of a clear audit trail, potential concerns from the Canada Revenue Agency (CRA) regarding "conduit" arrangements, and greater exposure to the misuse or misdirection of funds. These risks could undermine transparency, compliance, and the Municipality's ability to safeguard both public and donor resources.

To address these concerns, staff have developed a Transfer Payment Agreement (TPA) that incorporates robust safeguards. The agreement provides for the use of segregated accounts for all donations and grants, establishes disbursement controls, and requires verification and recording of donor identity. It further mandates regular reporting by TREDCO, grants the Municipality audit rights, ensures adherence to CRA and legislative requirements and compliance.

## 2. Background

On August 26, 2024, the Province issued a Certificate of Incorporation to the Temagami Region Economic Development Corporation (Ontario Corporation No. 1000975254) under the *Not-for-Profit Corporations Act, 2010*.

TREDCO operates at arm's length from the Municipality, guided by an independent volunteer Board of Directors comprised of individuals with experience in business, tourism, and regional development. Its strategic objectives include:

- Supporting growth and sustainability of existing businesses;
- Attracting and facilitating new investment;
- Promoting Temagami as a tourism destination;
- Showcasing the region's cultural, historical, and natural assets;
- Coordinating infrastructure development consistent with the community's long-term economic vision.

These priorities align with the Municipality's economic development objectives and fall within its statutory authority under the *Municipal Act, 2001*.

In correspondence, TREDCO's Chair formally requested that the Municipality act as a flow-through for donations and grants to support eligible economic development initiatives.

## 3. Regulatory Framework

### 3.1. Legislative Authority

- ***Municipal Act, 2001***
  - Section 9 – Broad powers for economic development and tourism;
  - Section 20 – Authority to enter into agreements with other entities;
  - Section 23 – Authority to make grants on terms set by Council.

- ***Income Tax Act:***

- Municipalities are "qualified donees" authorized to issue official donation receipts and must ensure funds are used for their intended purposes.

### **3.2. AML Requirements**

Although municipalities are not designated reporting entities under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, S.C. 2000, c.17 (PCMLTFA), they are expected to apply prudent financial controls when receiving and disbursing third-party funds.

Under the Criminal Code of Canada, s. 462.31, it is an offence to knowingly deal with proceeds of crime. The Canada Revenue Agency also requires qualified donees to maintain proper records and ensure funds are used only for their intended purposes, avoiding any appearance of acting as a "conduit. "

### **3.3. Risk Management**

The TPA includes the following safeguards:

- Segregated account for all donations and grants;
- Verification and recording of donor identity;
- Written confirmation from TREDCO regarding intended use of funds;
- Quarterly and final reporting requirements;
- Municipal audit rights;

These provisions create a transparent, auditable trail, mitigate CRA compliance risks, and define clear roles and responsibilities for both parties.

## **4. Municipal Considerations**

The proposed flow-through arrangement:

- Enables TREDCO to access funding sources requiring a qualified donee;

- Ensures transparency and accountability through formal reporting and audit rights;
- Aligns with the Municipality's strategic economic development goals;
- Strengthens collaboration between the Municipality and TREDCO while preserving arm's-length governance.

## 5. Conclusion

Approving the proposed flow-through arrangement will position TREDCO to leverage broader funding opportunities for the benefit of the Temagami region.

The Transfer Payment Agreement has been structured to protect the Municipality through clear financial controls, robust reporting requirements and CRA-compliant safeguards.

This arrangement supports Council's economic development mandate, fosters community growth, and ensures that public funds are managed with transparency, accountability, and legal compliance.

**Subject: Request for Flow-Through Support for Donations**

**To: Mayor and Members of Council**

Municipality of Temagami  
7 Lakeshore Drive  
Temagami, ON P0H 2H0

**Subject: Request for Flow-Through Support for Donations and Grants**

Dear Mayor and Members of Council,

On behalf of the Temagami Region Economic Development Corporation (TREDCO), I am writing to formally request that the Municipality of Temagami act as a flow-through organization for designated donations, contributions, and grants intended to support economic development projects and initiatives led by TREDCO.

As an incorporated not-for-profit corporation, TREDCO is committed to advancing economic development across the Temagami region through strategic partnerships, investment attraction, tourism promotion, and business development. In many cases, external funders—particularly government agencies, foundations, or private donors—require a municipal partner to act as the initial recipient or intermediary for disbursing funds.

We are therefore requesting that the Municipality receive such funds on TREDCO's behalf and disburse them under mutually agreed-upon terms, with TREDCO remaining responsible for project delivery and reporting. This arrangement would:

- Enable TREDCO to access funding streams that require a municipal recipient or qualified donee;
- Ensure proper financial oversight, transparency, and public accountability;
- Facilitate joint efforts between the Municipality and TREDCO in achieving shared economic development goals.

for the management, disbursement, and reporting of these funds to ensure alignment with all applicable policies and regulations.

We greatly appreciate the Municipality's ongoing support of regional economic development and respectfully ask for Council's consideration of this request. We would be pleased to meet with Council or administration to further discuss and formalize the arrangement.

Sincerely,

**Cathy Dwyer, Chair**