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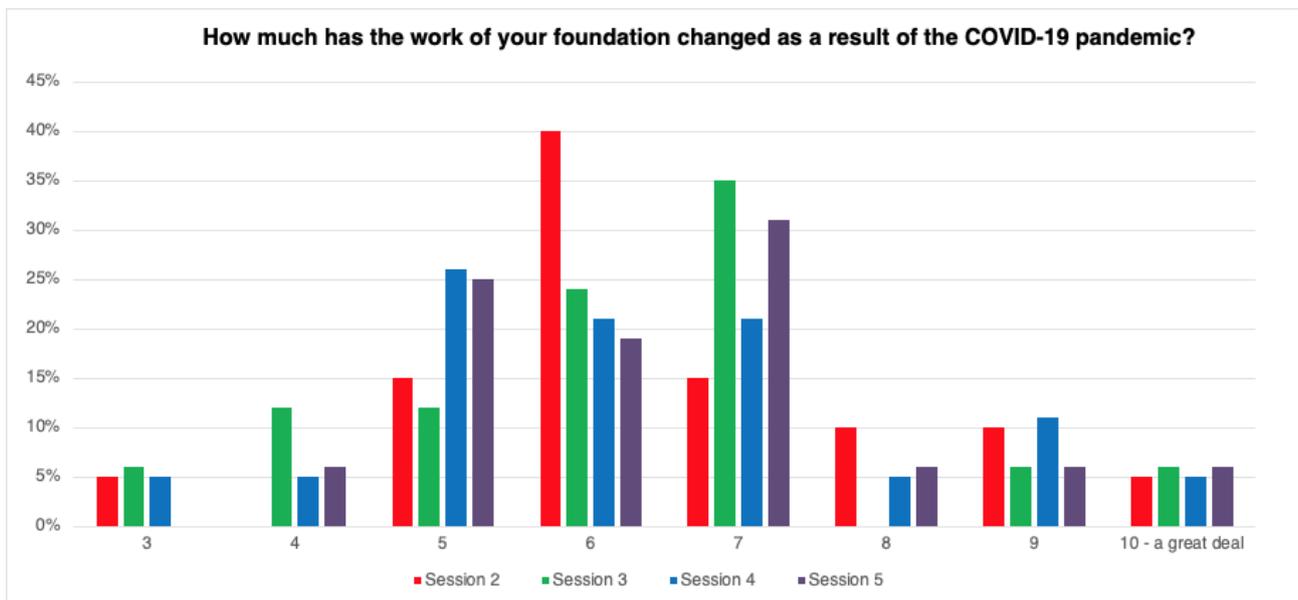
FOUNDATIONS DURING COVID-19 PANEL

REFLECTIONS ON SESSION 5 [FEBRUARY, 2021]

The 5th session of our Panel discussions, held in late February 2021, marks almost a year of working under the restrictions and demands of the pandemic. Since our last session in November 2020, several trends have been strengthened with some new issues emerging. This brief reports on the results of the February session, comparing the core questions to previous sessions. Again, we thank the panelists for your commitment and contributions to this work.

The Changing Landscape of Foundations' Work during COVID-19

Change: In every session, we have asked the degree of change in your work since the pandemic started and since the last session.



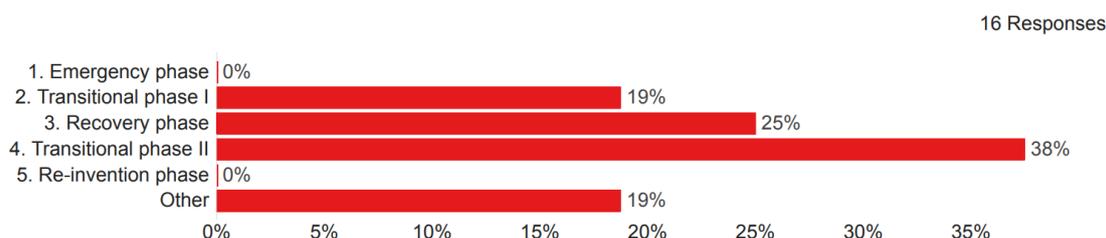
Over the course of the pandemic, the perceived degree of change has been consistent. The mean has been 6-7 (on a scale of 1-10); 18% of the panelists rate the change as 8 or more; everyone felt some form of change as no one rates the degree of change as less than 4 out of 10. However, when asked about change between sessions, panelists clustered in two groups. The first group (47%) rated their level of change since November 6 at 8 out of 10, while the other group (39%) rated it 1-3 (with a mean of 4). Only 3 panelists indicated their foundations had not experienced change over the past three months.

The consequences of the changes over the past year have been both negative and positive. The main negative consequence is consistently noted to be the increased workload of trying to meet increased and new demands in the community. The positive changes are primarily: 1) deeper engagement and stronger relationships with community; and 2) improved organizational systems, including greater technology capacity. They have enabled the funding of new initiatives and in larger amounts, and have contributed to a higher public profile for foundations (particularly community foundations). The foundations that sponsor DAFs or rely on public donations all point to an increase in donations.

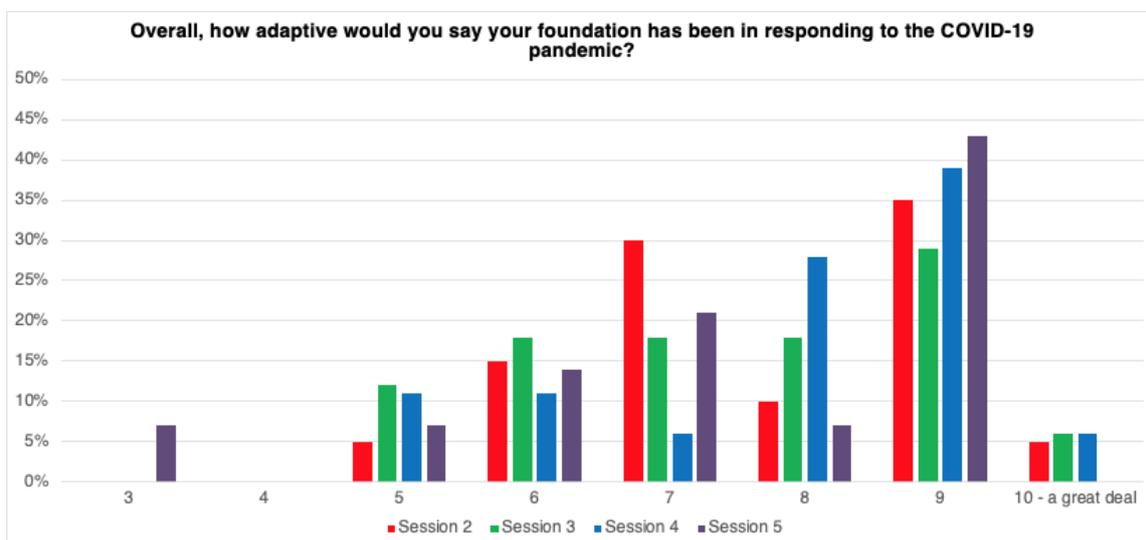
These changes continued since the November session: deeper relationships (50% of panelists); strategic planning, linked to the natural annual cycle, and positioning for systems change (100% of those indicating change); and expanded or new funding initiatives (100%). Two panelists noted that for the first time ever their foundations were about to make capital transfers.

Phases: Several sessions ago, we started asking about which ‘phase’ of COVID-19 response you would ascribe to your current work. It is clear that distinctive phases are problematic as many foundations operate in several of them at the same time. However, the initial emergency response appears completed as none of the panelists chose this option, and most foundations are now in the recovery or second transition phase (preparing for a ‘reinvention’ of the sector and their work).

Please select from the below options which phase your organization is currently in:



Adaptation: In spite of the changes to the work and workload, foundations have adapted well: 61% rate their adaptiveness as 7+. The adaptiveness rating is slightly lower in Session 5 than it has been in previous rounds, but not a major difference.



Reassessing Risk

Has your experience during the pandemic changed how you think about risk in the work of your foundation?

This question was interpreted in two different ways: as taking risks to innovate in the foundation's work; and as risk management and mitigation. The responses were about equally divided between:

- Foundations need to take risks; COVID has made this clearer, and
- COVID-19 has amplified the need for contingency plans, and many foundations have reviewed and enhanced their risk management strategies.

Only two organizations indicated that COVID-19 has had little or no effect on how they think about and are addressing risk. Interesting, three specifically addressed greater attention to reputational risk:

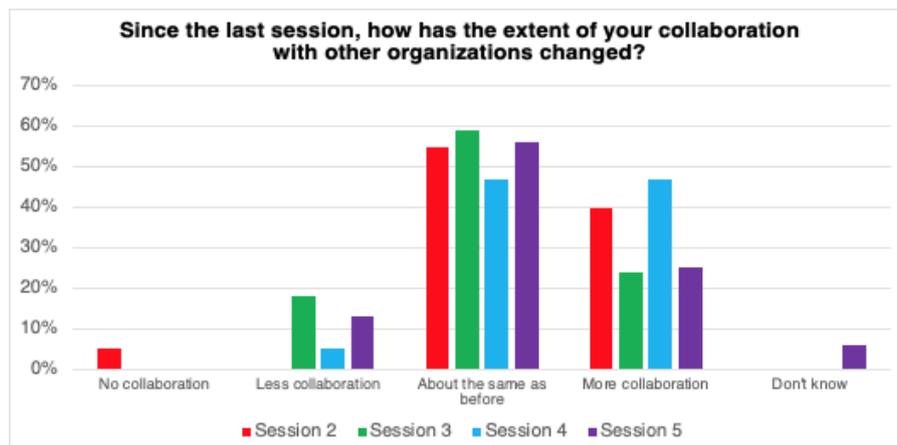
Reputational risk - realization that everybody is watching us - but there is a tension between wanting to manage that through back channels vs open, transparent ones

We need to take risks! It is part of our role! Perhaps COVID has made that more clear for other parts of our leadership

Voir les capitaux des fondations croître en temps de crise m'amène à questionner la légitimité du modèle des fondations basées sur les investissements réguliers sur les marchés financiers. L'investissement d'impact me semble être encore plus pertinent aujourd'hui et le risque du paradoxe entre les investissements et les subventions sont accrus

Collaboration and Community Relations

Increased collaboration and deeper, more engaged relationships with community have been clear responses to the pandemic. This trend has increased throughout, including in the latest session. Collaboration, mainly with other foundations and charities/nonprofits, rose sharply (40%) early in the pandemic (by the July session). But in each session since there has been additional collaboration.



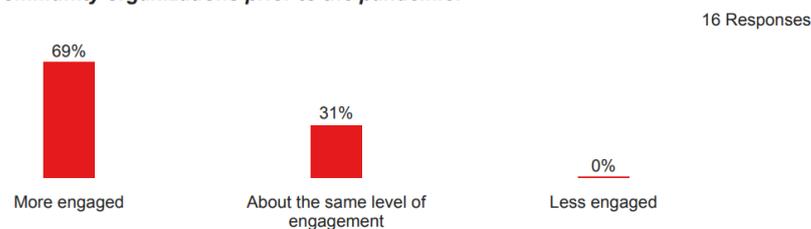
The main reason for greater collaboration is to facilitate impact by working with other foundations. For almost half the panelists, collaboration had remained the same over the past few months – some with the sense that they have (at least temporarily) plateaued as COVID-19 drags on.

I feel we are entering a period of fatigue. During the height of the crisis we needed partnerships and collaboration to get through this time together, now 'this time' is extending further and further, it becomes less of a crisis and more of a prolonged plateau.. waiting for the ever hopeful return to normal or our new normal, but this is yet to transpire and is causing somewhat of a corporate lull. Or perhaps it is a rest before the next wave.. regardless it is a definite slow down for now. Lack of urgency or knowing where the end is?

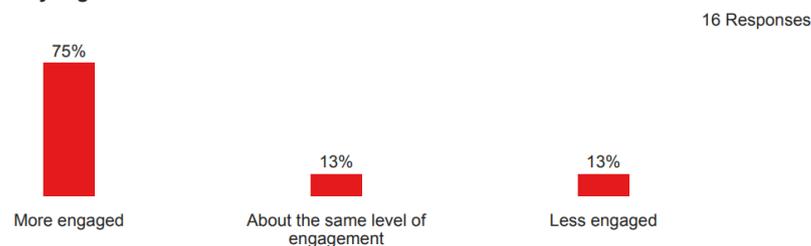
In terms of engagement with ‘community,’ there has been a marked increase, notably with new organizations.

Since the pandemic began, which of the following best describes how your engagement with the “community” has changed:

With the same community organizations prior to the pandemic:



With new community organizations



Have foundations targeted their work specifically to certain communities within your geographic mandate as a result of the pandemic? 30% of the panelists said their mandate or focus has not changed, while 70% indicated they have expanded community engagement, focused more on vulnerable communities or specifically engaged with racialized communities (about 30%).

The impression is that many foundations are taking a more differentiated view of communities within their geographic mandate: the interpretation of community is less focused on a geographic community and more on demographics, vulnerabilities and equity concerns within it.

To support community work, foundations are collecting more information and indicators about community, as well as on DEI and on the impact of their work. 67% said that their foundation has changed the way in which it gathers information/data since November. Some of this was already in the works before the pandemic and is now being implemented.

Undertaking Systems Change

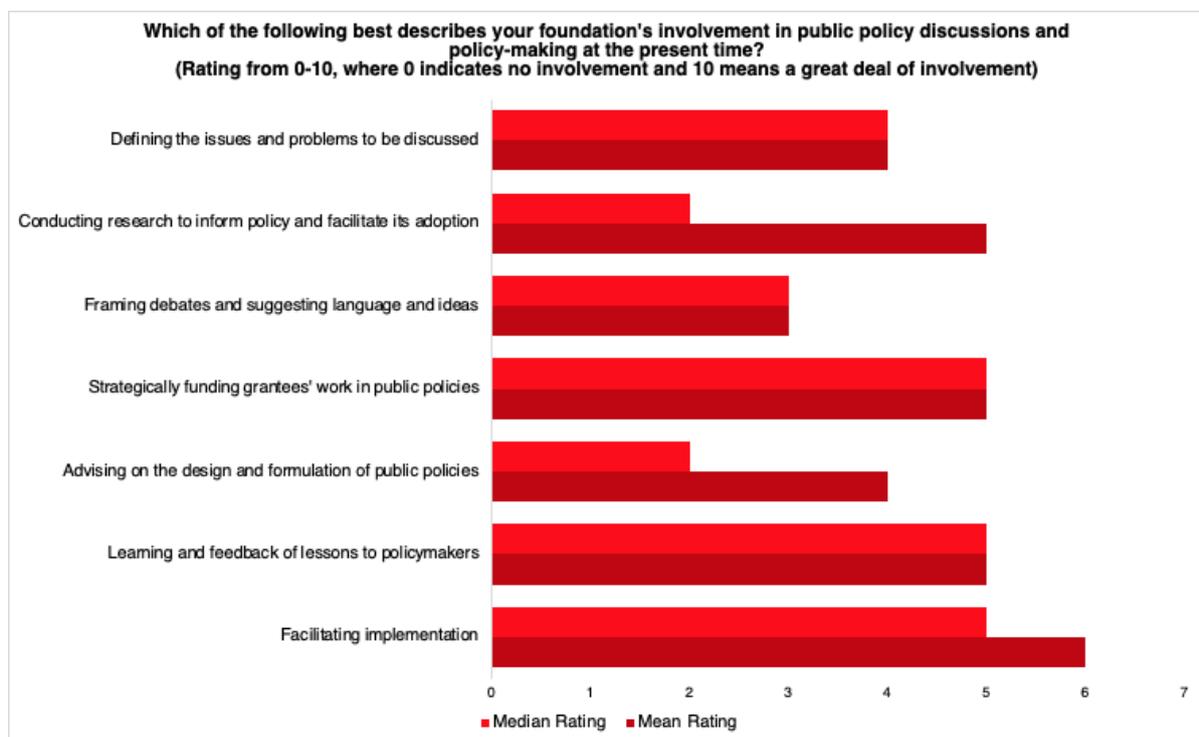
As part of a potential change agenda, in this round we asked: Since the start of the pandemic, has your organization started any initiatives that you count as systems change? We appreciate that this question is less relevant for the foundations that work mainly through DAFs. For the others, 62% have begun systems change initiatives, which include:

- Reconciliation
- Building capacity and social infrastructure
- Racial equity and inclusion
- Supporting social enterprise and finance
- Strategic review of grantmaking; research and conversations to prepare for systems change.

Two panelists indicated that their work has always been directed to systems change, and they continue to do so.

Engagement in Public Policy

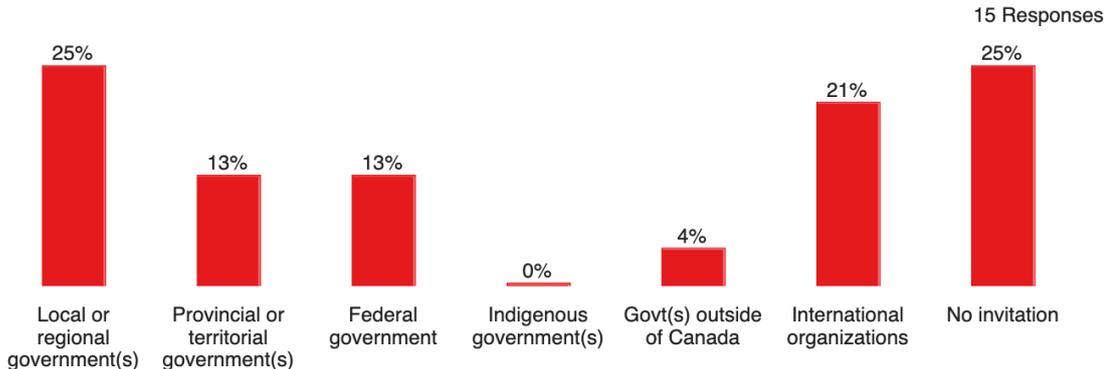
Foundations carry out a range of public policy activities at different points in the policy process. We asked panelists to rate their level of involvement in different types of public policy engagement on a scale of 0 to 10, with ten indicating more involvement and zero indicating no involvement. The panelists indicated that they are involved throughout the policy process—from agenda setting and research through to policy design and implementation. The three policy activities with the highest median rating (5) are: facilitating implementation, learning and feedback of lessons to policymakers, and strategically funding grantees' work in public policies.



Foundations are currently involved in public policy on a variety of issues. There was no clear unifying public policy issue; however, most topics were social policies. The four policy areas listed by more than one panelist include: climate change, the pandemic response, homelessness and housing, and a living wage.

We asked participating foundations if they had been invited by different levels of government to participate in discussions about policy. One quarter of panelists had not been invited by any level of government. Those foundations that did receive invitations to participate in policy discussions were most frequently asked by local or regional governments (25%) and international organizations (21%).

Has any government invited your foundation to participate in discussions about policy. Please select all that apply.



Mental Health, Pandemic Fatigue: Caring for Our Own

It is also apparent that pandemic fatigue has set in, with the continued challenge of working remotely. This fatigue and the pressure of managing new funding requests for COVID-19 relief have been the most pressing challenges of early 2021. It is important that the sector listen to its people and take a proactive role in addressing the mental health crisis brewing in our ranks.

Board - Management Interactions

When asked to describe the relationship with the foundation’s board, most were positive: that the relationship is ‘trusting,’ ‘supportive,’ and ‘very active.’ However, several panelists noted that the board was not very active and the relationship is actually somewhat conflictual. When asked what the board might do better, most (7 panelists) would not change anything. However, a number also hoped the board would trust staff more/ease up on expectations (5); also that the board might do more to raise or release funds and could be more innovative and flexible.

Views / Practices on the Disbursement Quota

A public policy/regulation that has come under greater scrutiny during COVID-19 is the mandatory disbursement quota of 3.5%.

Recently, some Canadian foundations have been advocating for an increase in the mandatory disbursement quota. The GIVE5 campaign asks Canadian foundations to disburse at least 5% of its assets, while the Increase the Grants campaign would like to pilot a higher mandatory quota of 7-10%.

We asked panelists to identify their preferred level for both (1) the government required mandatory disbursement quota and (2) their organization’s internal target disbursement quota. Panelists identified 5% as the median preference for both the government-required disbursement quota and the organization’s internal target disbursement quota.

	Government Required Disbursement Quota	Internal Target Disbursement Quota
Mean	7%	9%
Median	5%	5%

There was general, though not unanimous, support for the view that the current 3.5% mandatory disbursement quota is too low. For example:

- *I agree that the disbursement quota is a floor and that foundations are of course allowed to go above this, as our has done. However, if we look at the average returns of foundation endowments over the past decades, the average is much higher than 3.5%*
- *We have to stop the culture of hoarding wealth*

However, some panelists expressed concerns about possible negative impacts. Some felt that the disbursement quota should depend on the current state of the economy and size of the foundation’s endowment, while others suggested that any change should take place gradually. Panelists expressed the importance of maintaining their endowments. While there was support for the idea that foundations should not amass wealth over time, we did not observe any support for the notion that foundations should spend down their endowments.

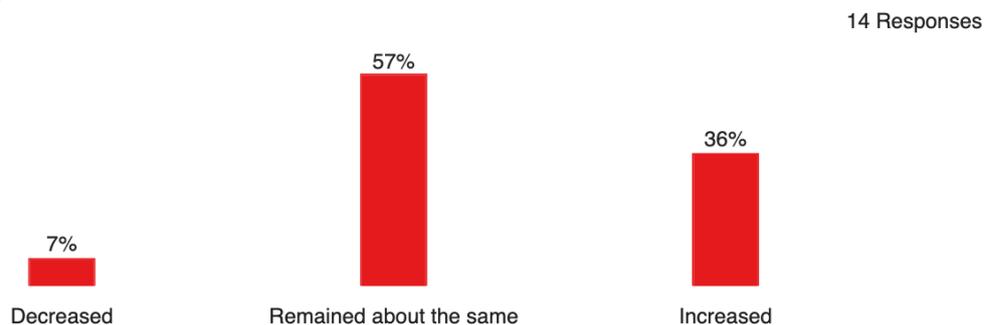
Donor Advised Funds (DAFs)

40% of the participating foundations hold donor advised funds (DAFs). Earlier sessions indicated that there had been an uptick in donors making contributions to their DAFs and in granting from them. Since the November session, 60% indicated there has been no change in donor approaches, although as one panelist noted, Q1 is usually a quiet period. The main changes that have occurred in donor behaviour are that DAF holders are seeking more information about giving options and that staff have done “a better job of mobilizing them to contribute strategically to important causes, and as such, they are doing so.”

Looking Ahead / Lessons Learned

Concerns about the charitable sector: Foundations remain concerned about the long-run financial viability of the charitable sector, especially if governments pursue austerity in upcoming years. Charity closures, donor burnout, and loss of trust in the sector remain front-of-mind for panelists. The overall level of optimism about the future of the charitable sector has remained stable throughout this study. However, concerns about charity insolvency have increased.

In the last round, several of you mentioned concerns that many charities will not survive the pandemic. Since the second wave of the pandemic started, has your level of concern about charity insolvency:



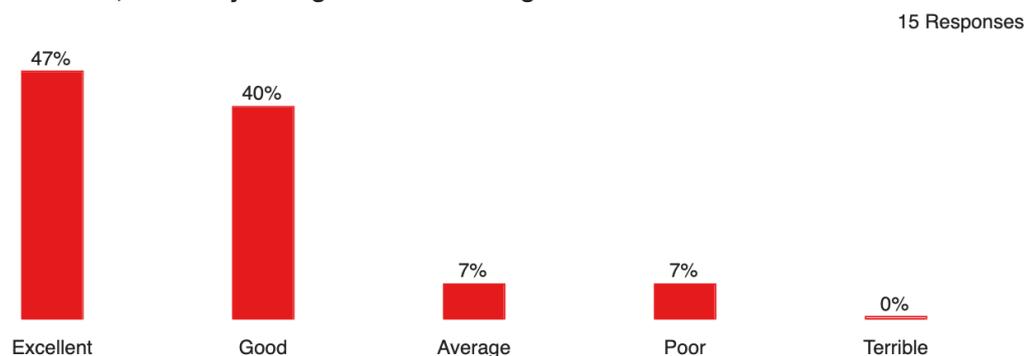
Given the prevalence of concerns about charity insolvency, in the second round of this session we asked panelists what, if anything, could be done about it. Key themes from the panelists' responses include greater collaboration, adopting a multi-lens approach to funding, and increased government support for charities. Foundations also said that charity mergers would likely be necessary.

Lessons learned and the need for change: Panelists were asked to describe their biggest lesson learned from the pandemic thus far. The biggest lesson is that “Notre système est fragile et un rien peut le faire s'écrouler.” Panelists identified the need for systems change. The pandemic has amplified existing inequities and taught foundations, or perhaps reinforced the view, that charities are undervalued. A related lesson has to do with the need to adapt how foundations connect with community and to ensure that social systems better support citizen wellbeing. Foundations also identified lessons around funding grassroots organizations, collaboration, and the need for greater transparency, flexibility, and responsiveness.

Does the role of foundations need to change, and if so, how? All panelists agreed that the role of foundations has to change. In regard to how foundations should change, the most common theme was a desire to see the sector become more community oriented. Some noted a need to fund grassroots and small organizations and to find ways to better support the nonprofit sector as a whole. Panelists also cited the need for greater openness, closer relationships with government, and more collaboration.

The pandemic has been challenging for foundations. However, panelists believe that their organizations are in a good position for the future. In a year from now, 87% of respondents said that their organization would be doing 'excellent' or 'good'.

In a year from now, how will your organization be doing?



Takeaways

A degree of fatigue has set in as the pandemic reaches the year mark. Still, foundations continue to adapt and innovate. Compared to previous sessions, the first quarter of 2021 was characterized by:

- An increase in strategic review and planning, often with an aim of preparing for systems change work;
- Deeper engagement with 'community;' many foundations have begun to take a more differentiated view of their communities, targeting support to vulnerable groups;
- More engagement with racialized communities and targeted initiatives, including two of the first ever capital transfers;
- Greater reliance on information/data and indicators to inform foundations' work;
- Somewhat more, but still limited involvement in public policy; governments seldom reach out to foundations; and
- DAF holders seeking more guidance about strategic giving.

When asked specifically about what the mandatory disbursement quota should be, there was general, though not unanimous, support for the view that the current 3.5% requirement is too low. All the panel foundations normally surpass the mandatory requirement.

Looking forward, the need for systems change to address inequities stands out, which will entail even greater engagement with diverse communities. One risk going forward is reputational: the realization that everybody is watching us. Furthermore, foundations should not ignore the detrimental effects of pandemic fatigue within their ranks. A proactive strategy addressing mental health challenges within their staff could help mitigate some of the human resource challenges of the last year.

Any questions?

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