

A Portrait of Canadian Foundation Philanthropy



September 2017

CANADA NATIONAL REPORT FOR THE GLOBAL PHILANTHROPY
PROJECT AT HARVARD KENNEDY SCHOOL

About PFC

Established in 1999, Philanthropic Foundations Canada (PFC) is a national member association of grantmaking foundations, charitable organizations and corporate giving programs. PFC seeks to promote the growth and development of effective and responsible foundations and organized philanthropy in Canada through provision of membership services, resources and advocacy.



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About this Report

The Global Philanthropy Report will be published in January 2018.

The Study

Philanthropic Foundations Canada (PFC) with the collaboration of Community Foundations of Canada (CFC) is participating in a study to better understand the profile and practices of philanthropic foundations in Canada. This study is part of a pioneering global effort led by researchers at the Harvard Kennedy School at Harvard University. The objective is to begin to develop comparative data and information on institutional philanthropy around the world.

There is broad agreement that private philanthropic investment is poised to have an increasingly important impact across the world. Yet those who seek to optimize the impact of philanthropy and social investing are hindered by a lack of reliable data and knowledge regarding philanthropic resources and trends.

Better data and analysis have the potential to lead to improvements including increased philanthropic capital, improved philanthropic strategies, a more favorable policy environment for philanthropy and civil society, and, ultimately, greater philanthropic impact. This global research initiative led by the Harvard Kennedy School will address this knowledge gap.¹

The Global Philanthropy Report will address the need for both quantitative and qualitative information on organized global giving. The Harvard Kennedy School is working with a global network of collaborators

to access existing data, develop new data and knowledge, and create a framework through which to understand and compare global philanthropy. Canada is one of the countries participating in this study. For a list of all national collaborators refer to **Appendix A**.

To gather the Canadian data, PFC and CFC used a common survey developed by a global working group. This survey, with both quantitative and qualitative questions, was designed to gather information from individual foundations and institutions. The survey sought information on organizational structure, governance, financial and human resources, organizational focus and strategies, and evaluation and reporting. The data collected through the survey, sent to selected Canadian foundations in January 2017, has been compiled in the following report.²

¹ *The Global Philanthropy Report, Better Knowledge for Better Philanthropy*, Harvard Kennedy School, 2016.

² The data in this report was reviewed with the collaboration of Imagine Canada.

Overview of Trends – Canada

In Canada, we can identify some key trends in the development of organized philanthropy over the last three to five years:

- A steady growth of the private foundation sector in Canada, with more families and donors interested in committing to institutional philanthropy.
- Within the sector, a larger number of very big private foundations with assets over the billion-dollar mark are appearing, a trend that is a new phenomenon for Canada.
- Among established foundations, the millennial generation of young people now in their 20's are starting to make their voice heard more significantly on foundation boards and demonstrating a different approach, particularly an interest in impact investing and deployment of all assets for mission.
- A deepening of the infrastructure for institutional philanthropy, with a significant increase in the number of organized funder affinity groups focused on specific issue areas (e.g. indigenous philanthropy, mental health, youth, homelessness).
- Growing interest in and sharing of practices around systemic and policy change grantmaking. This is encouraged by the fact that many of the most prominent social issues in Canada are complex and require systemic approaches and solutions, such as climate change, sustainable development, urbanization, reconciliation with indigenous populations and integration of migrants and refugees.

We have certain regulatory barriers which have an impact on the operation and effectiveness of philanthropic institutions in Canada:

- We have fallen behind the rest of the common-law world in the way we regulate and treat charities. Our courts have been far more conservative than the courts in England, Australia, New Zealand or the United States. An unreformed system of charities regulation defines charities in legislation by their activities not just their purposes and constrains charitable activity. Foundations are also constrained in their ability to engage in funding nonprofits or in engaging in any form of social purpose business.
- The role of policy advocacy by charitable foundations has been questioned, in the face of government audits of charities for their so-called “political” activities. While this pressure has been lifted by the current federal government, this whole area of engagement in public policy and civic dialogue has been strained and requires clarification by the regulator.

Canadian foundations collaborate to a high degree:

- The institutional philanthropy sector in Canada benefits from a relative consensus on social values, on the role of the state, and on widespread citizen and voter support for government programs that help to even economic, social and regional disparities.
- Based on this social consensus, and alignment of purposes and roles, foundations in Canada are engaging in several cross-sectoral collaborative and collective impact projects from which there is much to learn and share with others.

The Survey Findings

The survey was prepared by the global team of collaborators and distributed by PFC and CFC to over 500 Canadian registered foundations in January 2017.

We received responses from 54 foundations. Given the small sample size, and the fact that not all foundations responded to all questions, the results should be interpreted with caution. In some cases, because the

survey used was the global survey, the terminology in the questions was not entirely clear for Canadian respondents. For this report, we will note our comments and caveats where necessary.

The report is structured in six thematic sections:

- I Organizational Information
- II Governance and Employment
- III Financial Resources
- IV Organizational Focus
- V Operational Strategies
- VI Evaluation and Reporting

SECTION I

Organizational Information

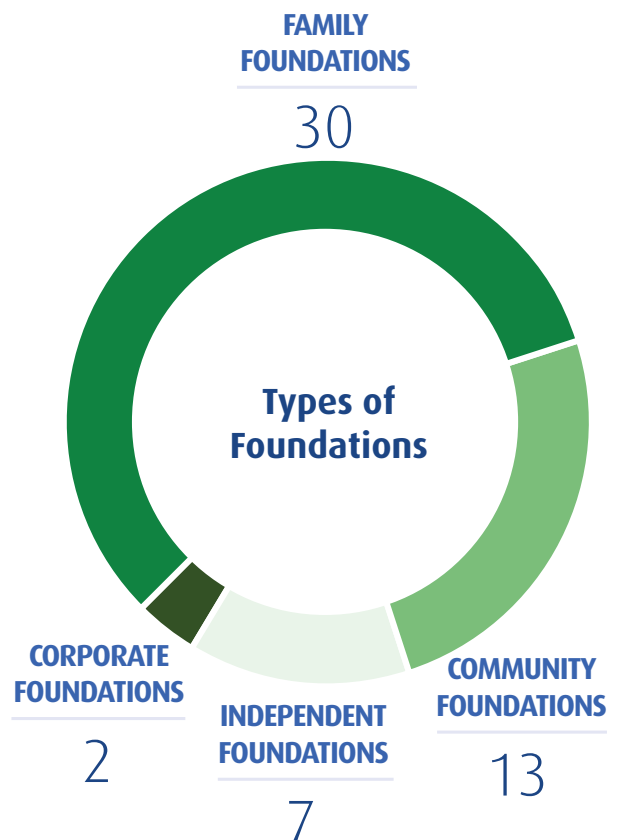
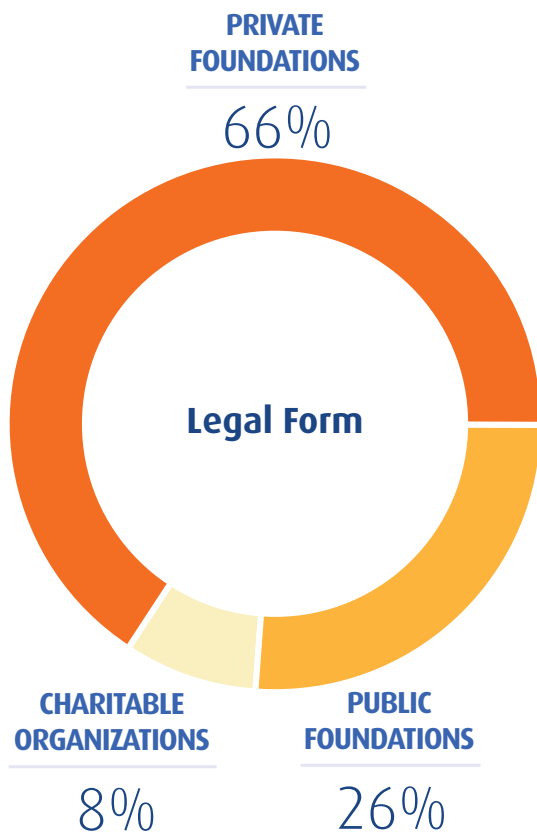
This section presents basic information on the organizations, including legal identification, and general type of organization.

Profile of Respondents

The survey provided a list of types of foundations from which the respondents were asked to select their own type. **Appendix B** lists the types and definitions of foundations included in this survey.

In addition, Canadian foundations were asked to identify themselves as a private or public foundation, or a charitable organization.

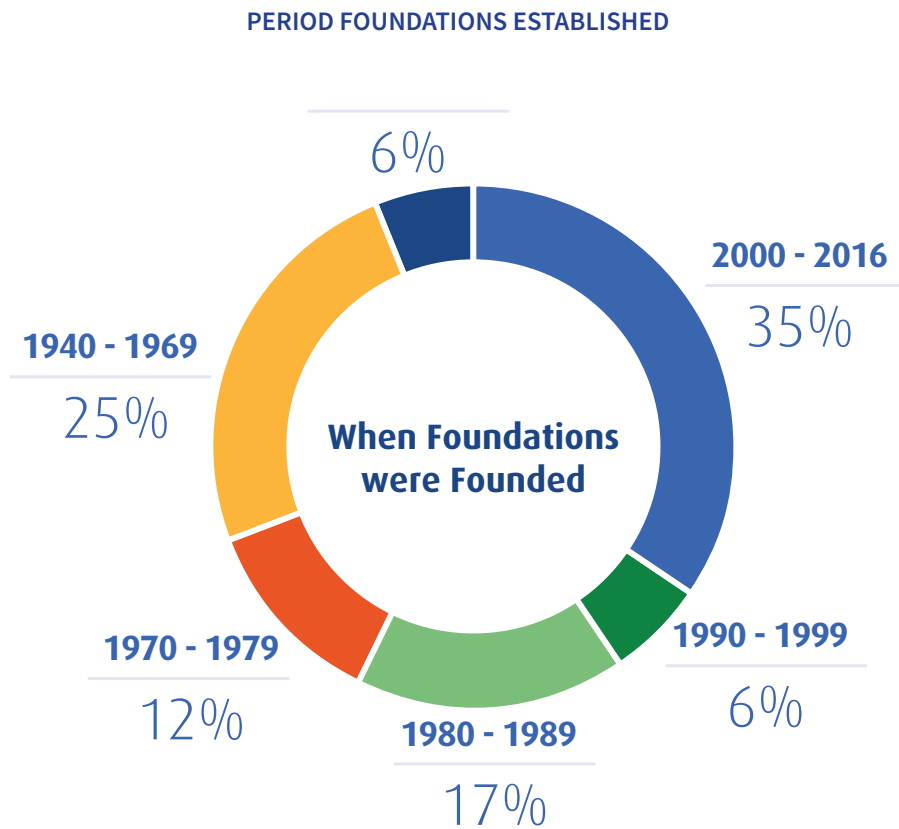
The survey respondents identified themselves as follows:



Organizational Information

It is important to distinguish between the terms 'founded' and 'registered'. Foundations in Canada were not registered with the Canada Revenue Agency until 1967. Some were founded prior to that date but not

registered. These results need to be understood in that light especially as older foundations created before 1967 may have answered this question based on date of registration not on date of actual creation.



SECTION II

Governance and Employment

This section presents information on organization governance, employment and volunteers.

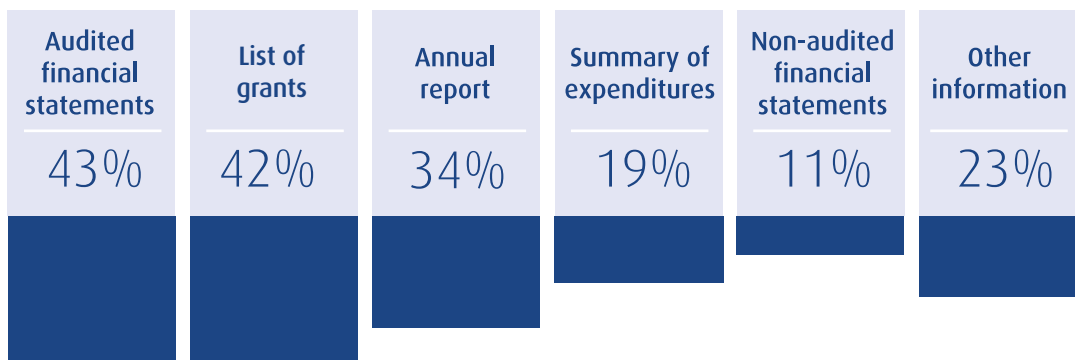
Public Reporting

Foundations were asked what regular information they made available to the public.

Eighteen respondents said they made annual reports available (34%) while 43% of respondents said that they

made audited financial statements available and 42% of respondents also reported making their list of grants available.

PERCENTAGE OF FOUNDATIONS THAT MAKE REGULAR INFORMATION AVAILABLE TO THE PUBLIC



It should be noted that all charitable foundations in Canada must make an annual report to the Canada Revenue Agency. Much of the content of this annual report is made public by the CRA, including lists of grantees and grant amounts. So technically all

charitable foundations have annual public reports. All registered foundations must submit financial statements to CRA and these can also be accessed on request to CRA.

Governance and Employment

Governance

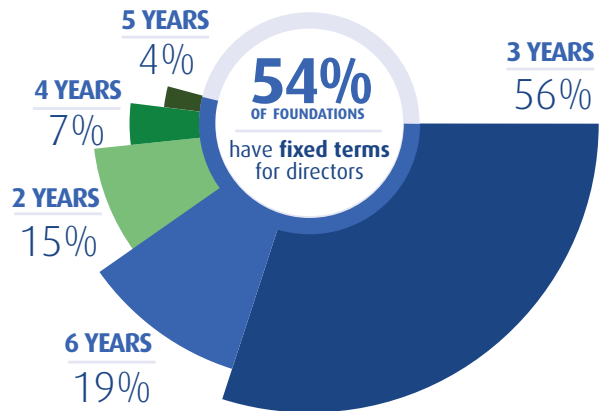
Most of the responding foundations are formally organized with a board of directors and policies relating to terms and compensation of directors. In Canada, registered charities are governed by provincial policies respecting compensation of directors and most foundation directors are typically not compensated directly for their service, although they do receive compensation for expenses.

- Average number of governing board members: 9
- Average number of meetings per year: 4
- Foundations where governing members are reimbursed for expenses: 71%
- Foundations where liability insurance is provided for governing members: 56%

The survey respondents reported that:

- 98% of them have a formally constituted governing body
- 54% have fixed terms for directors. The majority (56%) of foundations with fixed terms set them at three years and 19% have terms set at 6 years. The remainder vary between 2, 4 or 5 years.
- 90% of foundations do not provide any compensation to directors. The remainder pay a fee or honorarium.

FIXED TERM LENGTHS FOR GOVERNING MEMBERS



have a formally constituted governing body



do not compensate their directors



reimburse governing members for expenses



provide governing members with liability insurance

Governance and Employment

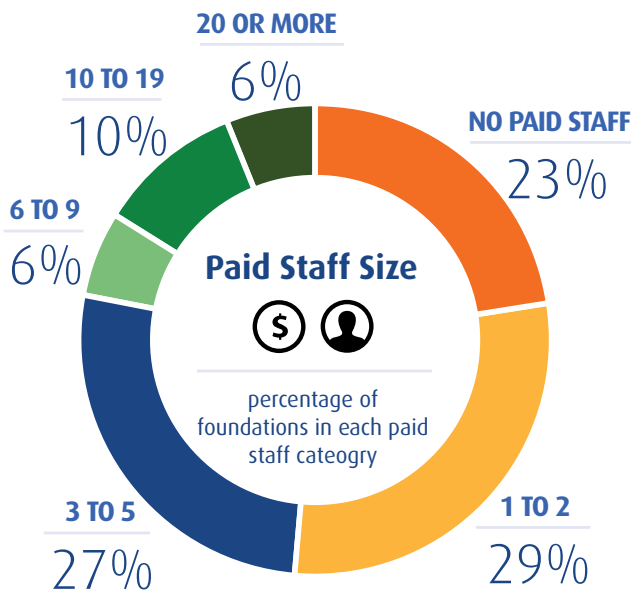
Staff and Support

- Typically the responding foundations did not report having many staff members. The majority (79%) of foundations have five staff or less and almost ¼ have no staff. Only 15% have 10 or more staff.
- Paid staff do not appear to be complemented by volunteers in most foundations (with the exception of directors working as volunteer governors). About 62% of the foundations reported having no volunteers (excluding directors).

Outsourcing

- Given low staff levels, it is not surprising that many foundations outsource some of their key advisory or support functions.
- 50 respondents (93%) reported outsourcing certain functions. The functions they outsource most often include: legal (74%), investment (70%) and accounting (61%) functions.

PERCENTAGE OF FOUNDATIONS IN EACH PAID STAFF CATEGORY



PERCENTAGE OF FOUNDATIONS OUTSOURCING FUNCTIONS



SECTION III

Financial Resources

This section is based on a fiscal year, but respondents were not told to select a particular year. The results cover primarily 2014 or 2015.

Assets

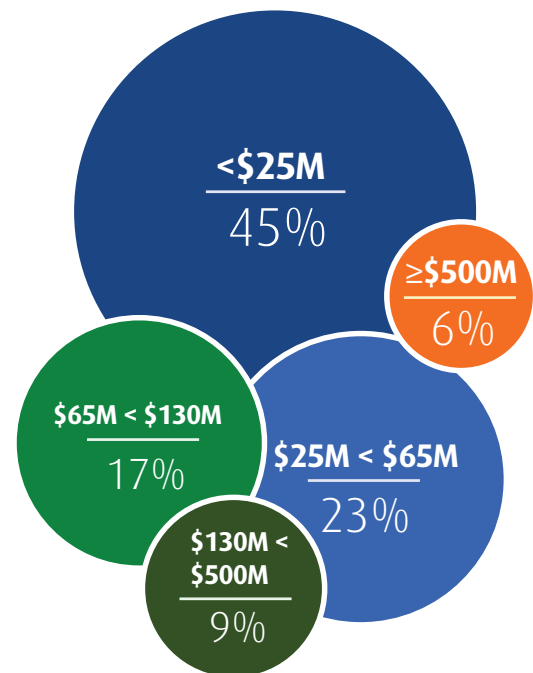
Foundations can hold their assets in the form of endowments or they can work from an annual flow of revenues provided by donors. In this survey, 75% of the respondents reported that they used an endowment model (i.e. they had endowed assets or funds given to the foundation by donors or invested to produce an annual return).

In terms of size by assets, 32% of the respondents were larger, (with assets of \$65M or more) and 45% were smaller, with assets of less than \$25 M. Most foundations in Canada are very small with 96% under \$25 M in assets according to CRA data. So this set of respondents on the whole are larger than average.

Expenditures

The foundations in this study are primarily grantmakers. That is, they devote the bulk (66%) of their expenditures to grants to third parties. They devote much less of their expenditures (12%) to operating their own programs.

PERCENTAGE OF FOUNDATIONS IN EACH ASSET SIZE CLASS



AVERAGE EXPENDITURES BY AREA

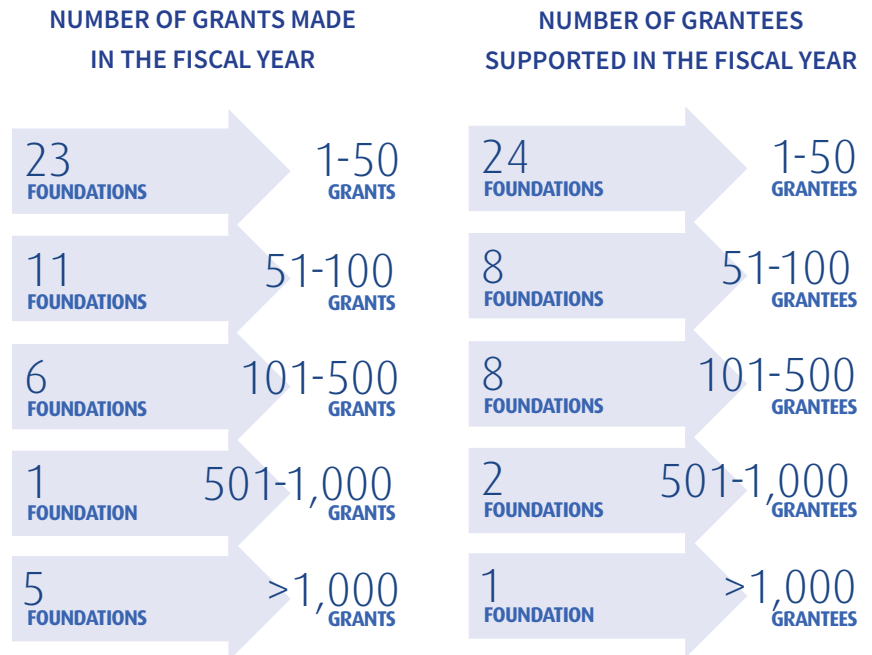
Grants to third parties (including scholarships)	Administrative	Operation of own social programs and activities	Other financial support to third parties
66%	20%	12%	1%

Financial Resources

Grantmaking

Foundations do not typically work with a large number of grantees nor do they give a large number of grants annually. The majority of foundations that responded make less than 50 grants per year (23 out of 46 foundations) and 24 out of 43 foundations support less than 50 grantees per year.

In terms of budget predictions for the next year, 78% reported that they expected to make no significant change, 19% reported that they were likely to make a significant increase and 4% predicted a decrease or were unsure.



Revenue

Consistent with relatively small sizes of endowments, nearly half (48%) of foundations reported revenue of less than \$2 million annually.

Fifty-six percent of foundations reported that the main source of revenue is income earned on endowment and 25% of foundations reported a contribution from an individual or family as the main source.

SECTION IV

Organizational Focus

This section presents information on the organizational focus, areas of interest and beneficiaries.

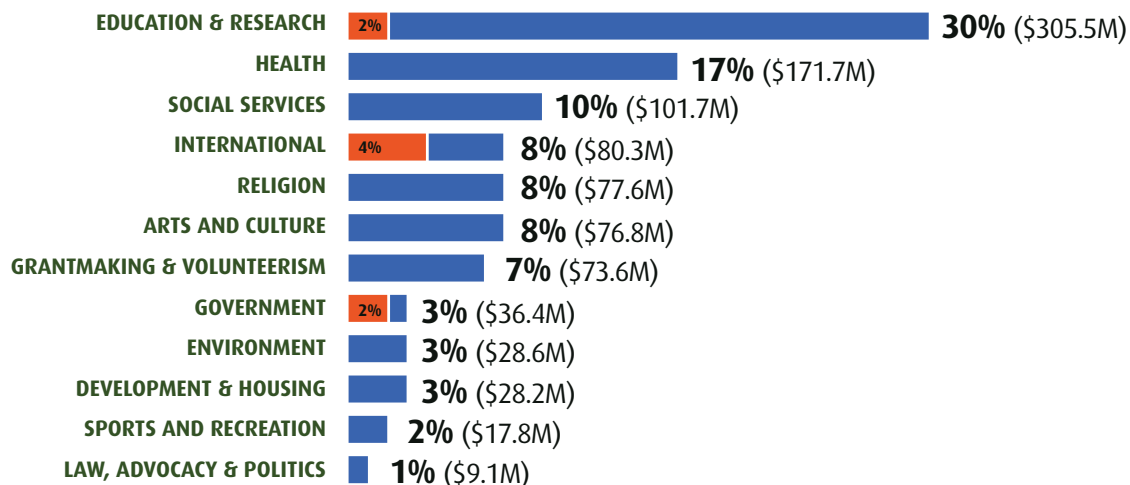
Organizational Focus

Respondents were asked to describe the causes on which their philanthropic activity focuses. The categories of causes or issues for this study were developed by the researchers specifically for this research project. They were adapted from other international classification systems for nonprofits and philanthropic organizations (i.e. International Classification of Non-profit Organizations (ICNPO) and the U.S. Foundation Center's Philanthropy Classification System (PCS).³

However, the reported results from the survey were not typical of the results of larger annual surveys of Canadian grantmaking foundations that suggest that normally the top three categories for grant focus are education, health and social services.

In this report, we have chosen to display the pattern of distribution of areas of grantmaking focus as reported to the CRA, and based on the identified grantees or beneficiaries. This pattern is the result of examining 2014 grants data from the top 150 grantmaking foundations (excluding community foundations).

FUNDING BY ISSUE 2014⁴



MasterCard Foundation

³ The ICNPO is an international classification system recommended by the United Nations. The ICNPO system groups organizations into 12 major activity groups. These 12 major activity groups are further divided into 24 subgroups. The U.S. Philanthropy Classification System (PCS) was developed by the Foundation Center, a U.S. nonprofit that gathers and analyzes data and shares it worldwide.

⁴ The MasterCard Foundation is Canada's largest foundation and is a significant funder to Education & Research; International and; Government.

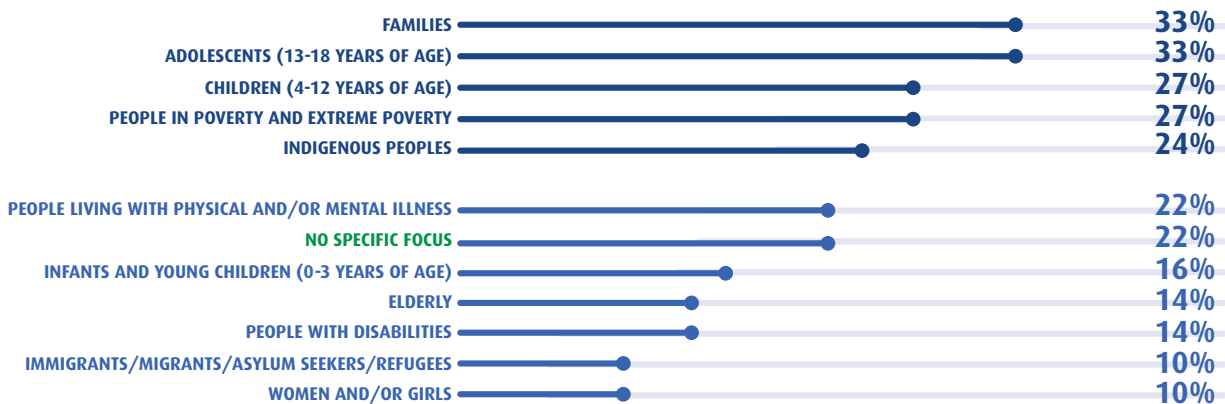
Organizational Focus

Beneficiaries of Philanthropic Activity

Respondents were asked to rank their top 5 intended beneficiaries. Among the groups most highly rated by respondents were: families, adolescents, children (4-12 years), people living in poverty and Indigenous peoples.

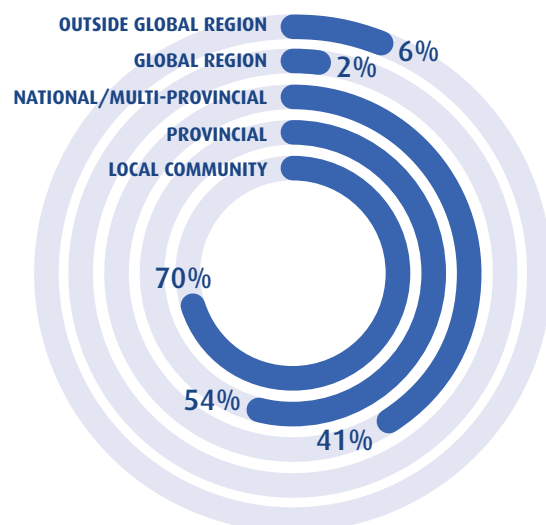
Many respondents had no specific focus. Only beneficiaries supported by 10% or more of foundations are included in graph below.

PERCENTAGE OF FOUNDATIONS SUPPORTING TYPE OF BENEFICIARIES



Percentage of Foundations Focusing on Geographic Area

Most foundations focus on their local community or in their province with significantly fewer foundations focusing outside North America or in other parts of the world.⁵

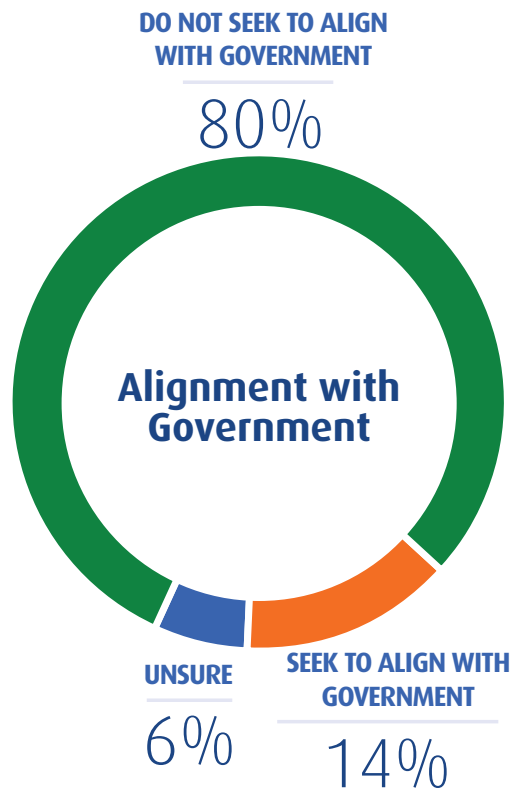


⁵ Graph does not add up to 100 because foundations that responded 'don't know' or 'other' are not included.

Alignment with Government Priorities

Respondents were asked if they align their grantmaking with government priorities in their community or region or nationally. Most (80%) said that they did not do so. A small number (14%) did report that they looked to government to define their own priorities.

There is little awareness of the Sustainable Development Goals among the respondents to the Canadian survey so there is relatively little alignment of granting to these global goals as of yet.



SECTION V

Operational Strategies

Respondents were asked about their operational strategies including the “how” of the activities, such as financial instruments used, functional areas of support and the recipients of support.

Financial Instruments

By far the most commonly used philanthropic instrument of the respondents was grants. 96% of respondents use this mechanism all or most of the time.

The survey specifically asked about whether respondents funded scholarship grants. A significant number do so.

A significant number of respondents (55%) never or infrequently operate their own programs.

NUMBER OF FOUNDATIONS USING FINANCIAL INSTRUMENTS



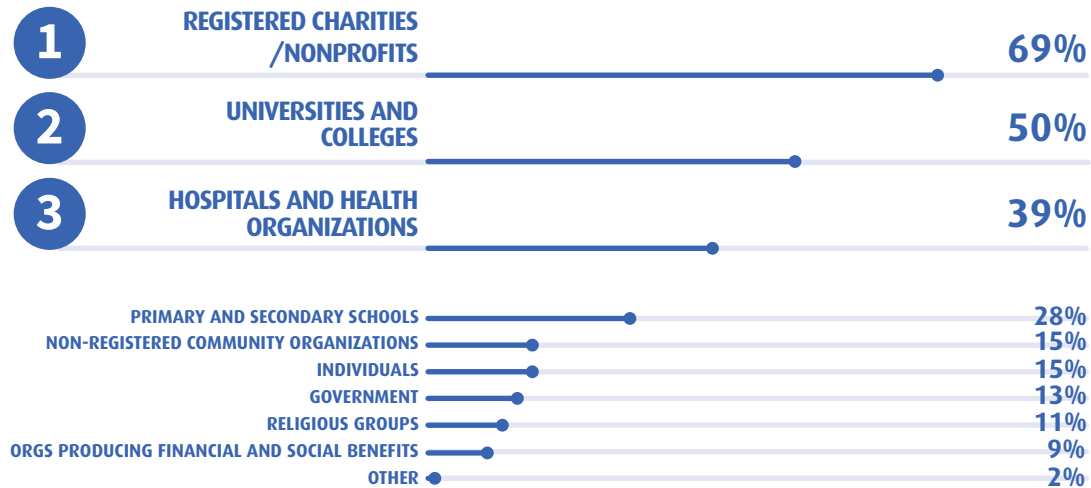
FINANCIAL INSTRUMENTS	NEVER	INFREQUENTLY	SOME OF THE TIME	MOST OF THE TIME	ALWAYS	TOTAL
Grants	1	1	0	13	35	50
Scholarships	13	9	5	6	14	47
Operation of own social program(s) and activities	19	8	7	5	10	49

Financial Support to Third Parties

In Canada unsurprisingly, given the governmental restriction of limiting foundation granting to “qualified donees” or other charities, the top three recipients of foundation funding are registered charities (69%); universities and colleges (50%) and; hospitals and

health related organizations (39%). In Canada, most universities and colleges are registered charities. When prompted, respondents indicated that these were the most frequently targeted recipients.

PERCENTAGE OF FOUNDATIONS SUPPORTING RECIPIENT GROUPS



Operational Strategies

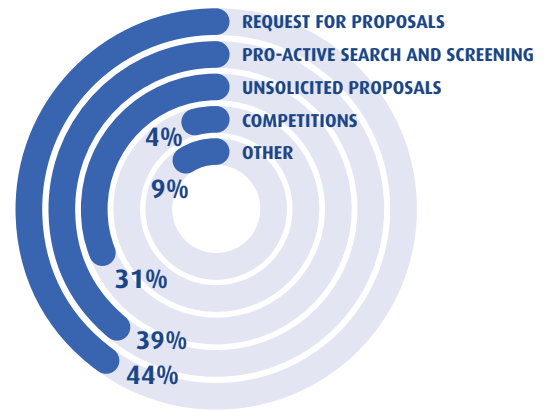
Functional Areas Supported

Percentage of Foundations Supporting Functional Areas

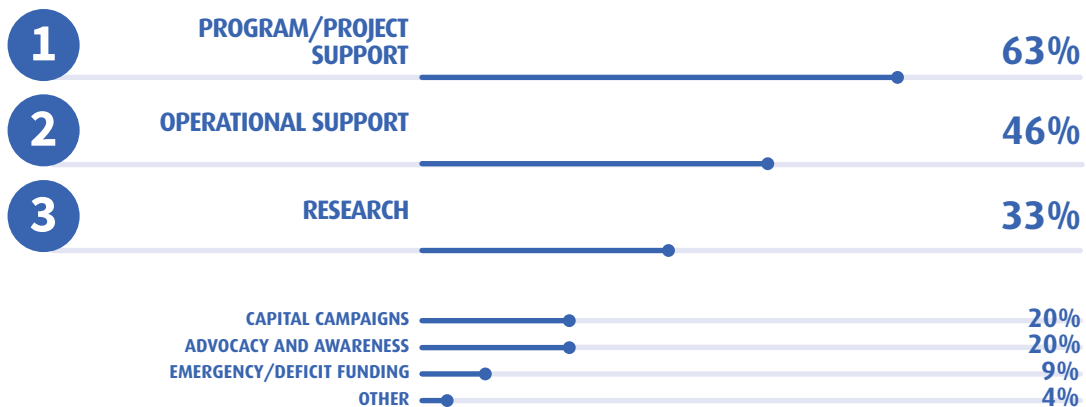
From a functional perspective, foundation respondents gave mostly program/project support (63%); many (46%) also gave operating support and a significant number (33%) gave to research usually through universities or hospitals.

Foundations are active in their search for projects or organizations to fund, with over 61% sending out requests for proposals and/or proactively searching for and screening projects.

PERCENTAGE OF FOUNDATIONS USING METHOD TO SELECT RECIPIENTS



PERCENTAGE OF FOUNDATIONS SUPPORTING FUNCTIONAL AREAS



Operational Strategies

Methods of Collaboration

Close to ¾ (of the 52 respondents) reported collaborating with other philanthropic institutions while 14 reported they did not collaborate with others.

Of the 38 respondents that did collaborate with other institutions, 89% (34 out of 38 respondents) reported co-funding projects or programs as a collaboration method. The term co-funding was not defined by the survey. It may have been interpreted to mean that other foundations fund the same initiative or grantee, but this may or may not refer to a formal, written co-funding agreement. These results should therefore be reviewed with caution.

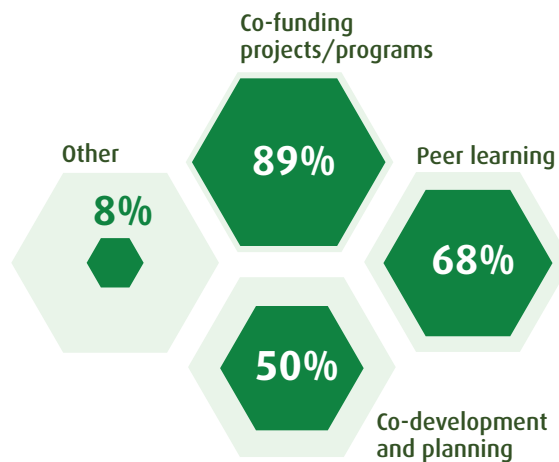
In addition to above, 68% of foundations reported peer learning and 50% co-development and planning as other collaboration methods.

Partnership with Government

75% of foundations reported that they do not seek to work in partnership with government. Based on survey comments, foundations feel that government is too bureaucratic and slows down the grantmaking process.

Yet for up to 25% of respondents to this question, according to their written comments, collaboration is the cornerstone of their grantmaking strategy as they feel it is the best way to leverage impact. They also feel that partnering with government is essential to support policy development and implementation.

PERCENTAGE OF FOUNDATIONS COLLABORATING VIA METHOD



SECTION VI

Evaluation and Reporting

Respondents were asked how they approach and conduct evaluation and assessment of their philanthropic activities and what type of evaluation information they make available to the public.

Evaluation policies, methods and use

Evaluation is still not a common or well understood tool. That said, about half of the respondents have defined evaluation policies.

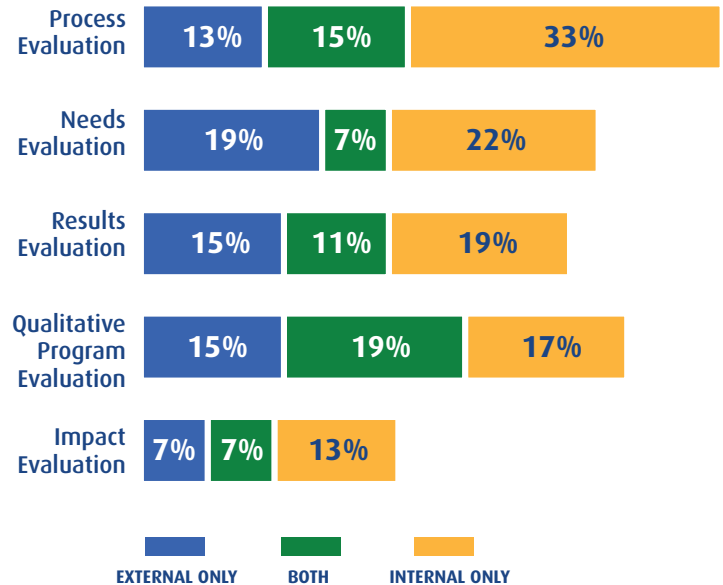
The survey listed the following types of evaluation

- Needs evaluation (i.e. assessment of beneficiary needs);
- Process evaluation (i.e. assessment of organizational operations and/or program implementation);
- Qualitative program evaluation (i.e. qualitative evaluation of organizational impact);
- Results evaluation (i.e. evaluation of results without control group) and;
- Impact evaluation (i.e. evaluation of results with control group).

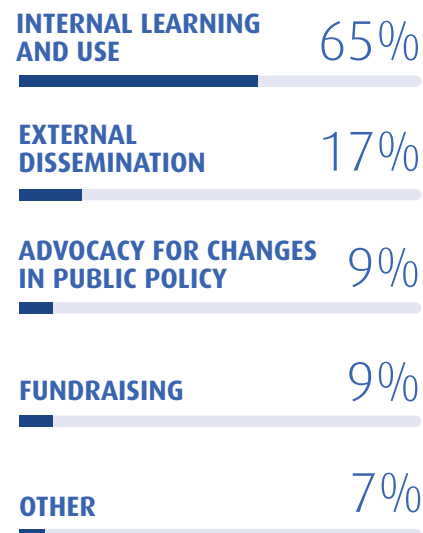
For those foundations that use evaluation as a tool in their work, they reported that the most frequently used method is process evaluation for internal purposes, followed by needs evaluation.

The most common use of evaluation by far is for internal learning and use (65%). Only a few foundation respondents (17%) reported that they disseminated the evaluation results externally.

PERCENTAGE OF FOUNDATIONS CARRYING OUT EVALUATION BY TYPE AND ORIENTATION



PERCENTAGE OF FOUNDATIONS REPORTING EVALUATION USAGE



APPENDIX A

National Collaborators on the Global Philanthropy Report

as of June 2017

AFRICA

Nigeria

African Philanthropy Forum

South Africa

Southern Africa Trust

ASIA and PACIFIC

Australia

Swinburne University of Technology,
Centre for Social Impact

China

Chinese Foundation Center
and Tsinghua University, Institute of Philanthropy

Hong Kong

The University of Hong Kong

India

Dasra

EUROPE

France

ESSEC Business School
Fondation de France

Ireland

Philanthropy Ireland
Trinity University

Switzerland

Universität Basel, Center for Philanthropy Studies

Turkey

TUSEV

United Kingdom

Cass Business School, Centre for Charitable Giving
and Philanthropy

LATIN AMERICA AND THE CARIBBEAN

Argentina

Universidad de San Andrés,
Centro de Innovación Social

Brazil

Grupo de Institutos Fundações e Empresas (GIFE)

Chile

Universidad Adolfo Ibáñez, Centro de Filantropía
e Inversiones Sociales

Colombia

Asociación de Fundaciones Empresariales Colombia
(AFE Colombia)

Haiti

The Haiti Development Institute

Mexico

Alternativas y Capacidades, AC

Peru

Universidad del Pacífico

MIDDLE EAST AND NORTHERN AFRICA

Egypt

The American University in Cairo, Gerhart Center for
Philanthropy and Civic Engagement

Saudi Arabia

The American University in Cairo, Gerhart Center for
Philanthropy and Civic Engagement

United Arab Emirates

Globesight

NORTH AMERICA

Canada

Philanthropic Foundations Canada

United States

Foundation Center

APPENDIX B

Types of Foundations

Types of foundations included in this survey:

a) **Independent Foundation**

Independent foundations are independent, separately constituted nonprofit entities; have no members or shareholders; and have their own governing board. They have their own established source of income, sometimes, but not exclusively, from an endowment, of which 50% or more comes from one private source (e.g., an individual, family, or corporation). They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by providing financial support to other public benefit entities (such as charities, associations, educational institutions) and/or individuals; and/or operating their own programs.

b) **Family Foundation**

Family foundations are independent foundations whose funds are derived from members of a single family. Family members often serve as officers or board members of the foundation and have a significant role in governance and program decisions. (Family foundations are self-identified: in most countries there is no legal definition).

c) **Corporate Foundation**

Corporate foundations are company established, independent foundations whose funds are derived primarily from the contributions of a profitmaking business. The corporate foundation often maintains close ties with the donor company (e.g., mission may align with corporate goals, there may be overlap between the corporate board and foundation board), but it is a separate, legal organization, sometimes with its own endowment.

d) **Community Foundation**

Community foundations are independent, separately constituted nonprofit entities; have no members or shareholders; have their own governing board; and have a mission to work toward the greater good of the citizens in a defined geographic area. Their funds are derived from multiple donors and held in an independently administered endowment or investment fund. They distribute their financial resources (endowment and/or income earned from endowment) for charitable purposes within their geographic region by providing financial support to other public benefit entities (such as charities, associations, educational institutions) and/or individuals.

e) **Government-linked Foundation**

Government linked foundations are independent, separately constituted nonprofit entities; have their own independent governing board; and have no members or shareholders; They are created by governmental body that provides initial capital; They may receive ongoing contributions from government and other sources of which 50% or more is received from a government body. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, by providing financial support to other public benefit entities (such as charities, associations, educational institutions).