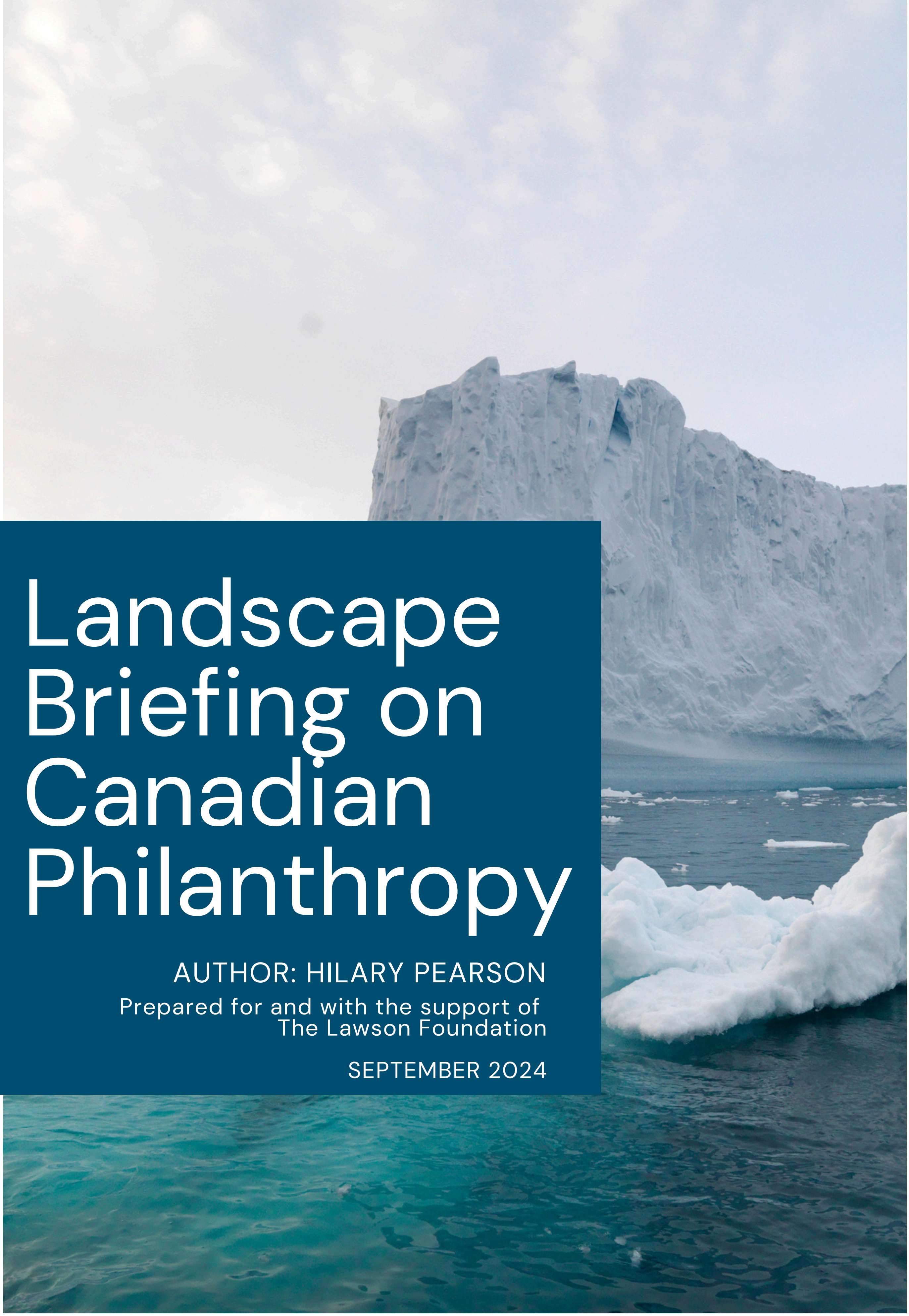

Landscape Briefing on Canadian Philanthropy

AUTHOR: HILARY PEARSON

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Landscape of Canadian Foundations: Summary & Strategic Questions

The foundation community in Canada is primarily composed of family-governed, volunteer run, smaller foundations making relatively few annual grants and outsourcing their endowment investment management.

Family foundations in Canada with a multigenerational history and with selected areas of focus, are searching for how to have the most impact in their chosen areas. They are asking themselves strategic questions about the time horizon of their capital, the approaches and tools for deploying that capital, and the roles they might play beyond traditional grantmaking support for projects and programs.

This landscape briefing describes the trends and developments that serve as a backdrop for a strategic conversation about these questions.

It has eight sections:

- Time Horizon: Are foundations spending faster?
- Equity, Social Justice and Trust-Based Approaches: New options for philanthropy
- Participatory and collaborative philanthropy
- Deploying social capital through new tools
- Learning and measuring impact
- Two challenges for Canadian philanthropy: reconciliation and climate
- Going beyond grants: foundations as convenors, network builders and influencers
- A success factor for philanthropy: An enabling regulatory environment

Questions to Guide a Strategic Conversation

1. What is our time horizon? Are we still thinking in generational terms? Do we want to increase our annual spend?

2. What is the change we want to see in Canada? Should we focus even more to go deeper? What tools do we want to use more of, less of or at all – funding, convening, researching, influencing, advocating, etc?

3. How do we want to deploy our funds? Do we want to go further in investing our capital directly for good? Do we want to consider transferring some of our capital directly to grantees? What would that require in terms of our time, our expertise and the reframing of our objectives?

4. How worried should we be about the financial/ organizational stability and mental wellbeing of our grantees? Is there more we should do to support their capacity?

5. Do we want to pursue more grant relationships with non-charities now that government regulation allows us to make grants to them? What would that imply for our staff and the need for due diligence and monitoring?

6. Are we taking as much risk as we can in our strategies, our investments and our convening and influencing work?

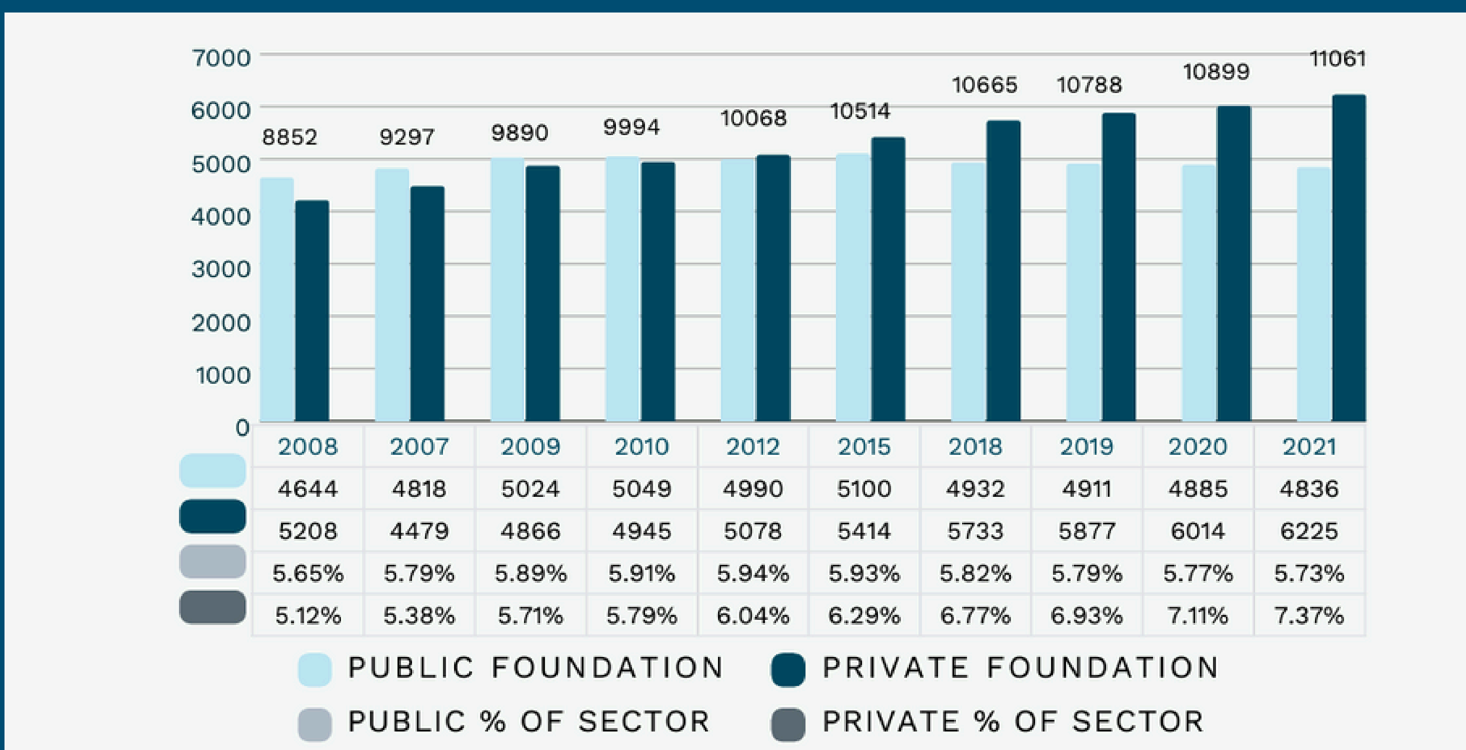
7. How can we learn better to do better? Should we adopt an explicit learning agenda?

01

The Canadian Foundation Sector: An Overview

Across Canada, private foundations are growing in number. According to registration numbers from the CRA, over 6,000 private foundations now exist, based primarily in Ontario, Quebec and British Columbia. The [recently published report from PFC] on the Canadian foundation landscape shows that since 2005 at least 1000 new private foundations (primarily individual and family but also some business foundations) have been created in a two-decade period that has seen continuing growth in financial markets (except for the two-to-three-year span of the global financial crisis from 2008 to 2010). Even if some private foundations might have wound down over this period, the overall trend is a rising number of private foundations, an indication that this is a popular philanthropic vehicle for wealthy donors, families and businesses. It is also an indication of the increasing wealth available for philanthropy, whether newly created entrepreneurial wealth, family business wealth or inherited wealth being passed on to new generations.

PFC Landscape Report - 2005 to 2021 Number of Public and Private Canadian Foundations



	2008	2007	2009	2010	2012	2015	2018	2019	2020	2021
Public Foundation	4644	4818	5024	5049	4990	5100	4932	4911	4885	4836
Private Foundation	5208	4479	4866	4945	5078	5414	5733	5877	6014	6225
Public % of Sector	5.65%	5.79%	5.89%	5.91%	5.94%	5.93%	5.82%	5.79%	5.77%	5.73%
Private % of Sector	5.12%	5.38%	5.71%	5.79%	6.04%	6.29%	6.77%	6.93%	7.11%	7.37%

At the end of 2021, private foundations held about $87 billion in assets (of which $39 billion were assets held by the Mastercard Foundation). Since 2010 there has also been notable growth in the number of Donor Advised Funds (DAFs). At the end of 2021, these held an estimated $8.5 billion in assets (although most individual DAFs are only around $100,000). Many of these DAFs are held by community foundations, independent foundations (such as Benefaction Foundation) or those linked to financial institutions (such as TD Private Giving or Aqueduct).

PFC Landscape Report - 2021 T3010 Snapshot Data

	Private foundations	Public foundations	Totals
Number of foundations [3]	6,225	4,836	11,061
Gifts to qualified donees (CAD) [4]	$5,450,390,633	$4,474,747,132	$9,925,137,765
Assets (CAD) [5]	$87,140,918,068	$48,141,641,036	$135,282,559,104
Location	Most private and public foundations are found in Ontario, Quebec, British Columbia and Alberta		

1. Anheier, Helmut K. "Philanthropic Foundations in Cross-National Perspective: A Comparative Approach." American Behavioral Scientist 62, no. 12 (November 2018): 1591–1602.
2. Imagine Canada. "2021 T3010 Public and Private Foundation Analysis," 2024.
3. As of January 2024
4. As of September 2023
5. As of September 2023

Family foundations in Canada with a multigenerational history are asking themselves questions about the time horizon of their capital, the approaches and tools for deploying that capital, and what they can do the roles beyond traditional grantmaking support for projects and programs. What follows is an overview of what some Canadian family and private foundations are doing in answer to these questions.

02

Time Horizon: Are Foundations Spending Faster?

Most private foundations in Canada are set up as incorporated endowments without a specific end date. In other words, there is no date by which the capital in the endowment must be fully expended. Those family foundations that have existed for more than 50 years such as Lawson, McConnell, Webster, Metcalfe, and Laidlaw, have been able to build their capital up significantly over time while also steadily granting out some portion of the return. In a situation in which there is no end date, and no specific donor direction on how much to grant or transfer, the default position is to invest for capital growth as well as to meet the government mandated disbursement minimum (now 5%). There isn't much quantitative research on time horizons for philanthropy in Canada but research from the US indicates that overall, about 75% of foundations work with no time limit while the other 25% choose a spend down date and disburse more quickly. Data seem to indicate that within this 25% are many foundations created after 2000.

In Canada, one $100 million foundation (the Ivey Foundation) has announced it is spending down all its capital by 2027 after existing for 75 years. The Waltons Trust (another $100 million plus private foundation) was started in 2009 with a limited life mandate from its donor David Graham. But this is unusual. We do not see many major philanthropists who are committed to the accelerated giving required for spend down. For example, only four major Canadian donors (Jim Pattison, Charles Bronfman, John and Marcy McCall MacBain) have signed the Gates/Buffett Giving Pledge that calls on donors to give away most of their wealth by the end of their lives. Most family foundations are set up with an expectation that they will include younger family members and that they will serve the philanthropic interests of more than one generation.

Two more obvious trends that can have an impact on the timeline of a foundation are a higher annual disbursement rate (more than the required 5%) and/or transfers of capital from the endowment to charities. While many family foundations have granted at or even slightly more than the current DQ minimum for many years, the act of making outright capital gifts is very recent. For example, the McConnell Foundation announced in March 2023 its intention to make a capital transfer of $30 million out of its endowment to "community-focused Indigenous-led foundations", beginning with a $10 million transfer to the Indigenous Peoples Resilience Fund. In March 2021 the Laidlaw Foundation had also transferred capital to two funds, the IPRF ($1 million) and the Foundation for Black Communities ($2.5 million). Such outright capital transfers are still rare. The higher DQ is not set at a rate that would prevent asset growth. One new opportunity to increase granting is the option of granting to organizations that are not registered as charities. This ties into another trend more evident in the last five years: the sharpened focus on marginalized and equity-seeking populations, where there are fewer registered charities and where foundations have been less present because of the former restrictions on granting.

03

Equity, Social Justice and Trust-Based Approaches: New Options for Philanthropy

Over the last ten years, Canadian philanthropy has been challenged to respond more directly to the needs of marginalized communities for greater social justice and equity. While foundations have generally granted generously in their communities to social service organizations, this has not included targeted support to Indigenous communities or to organizations led by and specifically serving people of colour. This has been shifting, pushed in part by the efforts of the Truth and Reconciliation Commission and the response of philanthropic networks to the TRC Calls to Action, and in part by the focus on equity and social justice accentuated during the racial justice upheavals of 2020 and after. Perceptions of growing economic inequality have combined with frustration over social exclusion to fuel a public critique of endowed foundations as representations of privileged wealthy (and mostly white) donors.

In response to these pressures, more Canadian foundations are discussing a so-called "trust-based philanthropy" approach. This is an approach that supports a foundation's partners and grantees by removing some of the requirements and conditions that foundations may impose on them. It is a relational approach that works particularly well for funders with partners who are community-based and have deep knowledge of community needs. These partner grantees typically need more flexibility in their funding (more unrestricted than project-based), more continuous or multi-year funding, and less onerous application and reporting requirements.

Many of these partners serve and are led by members of marginalized communities that typically have less capacity. During the pandemic, many Canadian foundations did relax their requirements as documented in 2022 by Imagine Canada and Philanthropic Foundations Canada. But after the end of the pandemic, charitable giving has remained flat, and many volunteers have not returned. Staff of many frontline organizations are experiencing strain and burnout. In this context, foundations that fund such organizations must consider the need to strengthen their partners or risk not achieving their objectives.

Trust-based philanthropy has sometimes been characterized, misleadingly, as a simple handing over of funds on the basis that the funder can "trust" the grantee to use them effectively. While it is true that the approach features less strict application and reporting, this is a recognition of the grantee's relative lack of resources (including time). Foundations working with a trust-based approach in fact must spend more staff time and put in more focused effort to pursue relationships with the grantee because of the need to do the necessary diligence, build and maintain trust, and learn what works, often with the help of peers. This is why it is not a strategy that can be easily adopted by many Canadian foundations (who function with little to no staff and prefer arms-length transactional granting).

A foundation practicing trust-based philanthropy will focus on providing general operating support or capacity building funds rather than funding specific programs of a grantee. For example, the Hallman Foundation in Kitchener-Waterloo, a place-based private foundation, has moved to this kind of granting for many of the regional community organizations working with children in the Waterloo area.

Funders can also support capacity building through intermediary organizations. The Hallman Foundation provides funding to Capacity Canada located in Kitchener. The McConnell Foundation similarly supports the Innoweave capacity building platform through MakeWay (while also offering capacity strengthening grants directly to its grantees). The Lawson Foundation has made leading and significant commitments in this area by supporting many national networks such as Philanthropic Foundations Canada (PFC), the Ontario Nonprofit Network (ONN) and Imagine Canada.

04

Participatory and Collaborative Philanthropy

Since most Canadian foundations are very lightly staffed, some foundations are using approaches that can amplify their work such as inviting community partners and advisors to participate in making funding decisions or working in collaboration with other funders to pool funds or to share information. These approaches that go "beyond the walls" of a foundation are more popular in Canada especially since 2020 and since a few new foundations have arrived (such as Definity Insurance, Northpine, Houssian, Trottier and Daymark).

Participatory grantmaking is an approach that brings people to the decision-making table from outside the foundation – either people with expertise in a specific area that interests a foundation, or people from the community where a foundation works. In this approach, outsiders are directly involved in making the granting decisions. This is not a new approach but one used by several Canadian foundations in the past few years. Collaboration is also not new. It takes different forms, from information sharing (Mental Health and Wellness Affinity Group) through shared advocacy (Early Childhood Funders Working Group) to pooled funding (Atmospheric Fund, Low Carbon Funders Group, Northern Manitoba Food, Culture and Community Collaborative). Another form of collaboration for funders is directly with an intermediary such as MakeWay which acts as a platform and a conduit for funding of many smaller nonprofits. Local collaborations among funders are being tried. An example is the Collective Impact Project mediated through Centraide in Montreal. As local funders work together in this way, they get to know each other better and engage in other collaborations (such as the Unseen Angels public health effort funded by several Montreal-based foundations during the pandemic).

The Lawson Foundation has made use of these approaches in its areas of focus, including convening partners, bringing cohorts of partners together, collaborating with other funders to learn, inform and advocate, and funding capacity builders and intermediaries. It has also experimented, as several other private funders are now doing, with innovative ways to deploy its capital other than through grants alone.

05

Deploying Social Capital Through New Tools?

Canadian foundations are facing growing pressure to use "the other 95%" of assets held in their endowments for more public benefit. In 2010, the [Task Force on Social Finance] (funded by McConnell and Mastercard Foundations) recommended that "to maximize their impact in fulfilling their mission, Canada's public and private foundations should invest at least 10% of their capital in mission-related investments (MRI) by 2020 and report annually to the public on their activity". This was seen as ambitious at the time. But since then, many Canadian foundations have committed to this goal. A majority of the foundation members of PFC have committed to apply ESG (environmental, social, governance) considerations across their investment portfolio. This is now becoming the norm.

As a next step beyond ESG screening, McConnell intends to commit the entirety of its $665 million endowment to investing for impact by 2038. This follows a commitment in 2016 by the Inspirit Foundation to 100% impact investment for its approx. $35 million portfolio. Very large foundations such as the Lucie et Andre Chagnon Foundation with an over $2 billion endowment has committed to 10% of its endowment in mission-based investments – this alone accounts for $200 million plus allocated to such investments. The mission or impact investment marketplace in Canada has become much more sophisticated in recent years. There are many vehicles and tools for deploying capital for social purpose, or engaging in sustainable finance approaches, that go beyond making public or private equity investments.

Among them are community bonds, loans and loan guarantees, land trusts, microlending, and outcomes-based finance. Loans and loan guarantees are perhaps easier (although not easy) nonmarket investments to make. Foundation investors can also amplify or de-risk their investments by going into pooled loan funds, as McConnell, Chagnon and the Saputo Foundation in Montreal have done by investing together in a loan guarantee fund managed by the Caisse d'economie solidaire Desjardins.

Foundations are sharing more information about their mission-related investments. This is very helpful to other foundations considering their options. For example, McConnell, Chagnon, Definity Insurance, Inspirit, Metcalfe, and Lawson, identify their impact investments on their websites. Many foundations share investing partners such as the Community Forward Fund, Windmill Microlending and Raven Capital Partners. They also participate in informal networks of funders to share information and due diligence on potential investments. These collaborations help to lower costs and risks for all.

06

Learning and Measuring Impact

One of the perennial questions for foundations is how to know whether their funding is having impact or is effective. A core issue for many foundations is how to learn better from reflection on their activities. Many Canadian foundations ask their grantees for reports on outcomes, or formal evaluation reports. This is in large part for tracking and accountability to their boards. The questions they ask could also help foundations learn from what happens, what works and what doesn't. However, in practice most foundations don't structure their learning very formally; reports and evaluations risk being shelved without much use being made of them; they become "grey literature", not available publicly or shared with other funders. And indicators of transformational change because of foundation interventions are difficult to track, particularly in the short term. Recognizing this, some foundations in Canada are pursuing what they would call a learning rather than a measuring strategy.

There are many ways that funders can engage in (and demonstrate accountability for) learning. They can fund the rigorous gathering of evidence. They can engage in developmental evaluations which help them adjust their strategies and thinking using emergent learning approaches. They can work more carefully to test their assumptions and hypotheses about the work they want to pursue. They can structure learning among their partners by giving them opportunities for sharing with each other (as Lawson does with its cohort approach). They can use Pause and Reflect approaches and techniques to systematize their learning and do it collaboratively with grantees. They can create learning agendas. There is no shortages of examples and tools for philanthropic learning.

Some foundations have formally adopted a "learning mindset" and are highly committed to learning. For example, Metcalf, Hallman, Lawson and Bombardier are four Canadian foundations which accelerated their learning approaches through the pandemic crisis as documented in Approaches to Learning Amid Crises: Reflections from Philanthropy. It's even more important that these foundations share their learning about learning as widely as possible. When accountability for learning becomes as important as accountability for results, the conversation about the role of philanthropy can begin to shift from exercising power to deploying wisdom.

07

Two Challenges for Canadian Philanthropy: Reconcilliation and Climate

Since 2015, some Canadian foundations have focused more on two major issues that had received little attention before 2000: the challenges facing Indigenous communities in Canada, particularly remote and on reserve communities; and the increasing negative impacts of climate change not only on Northern or remote communities but on all communities and parts of Canada.

Most Canadian foundations have not funded Indigenous organizations in the past, partly because many are not registered as charities, and partly because there has been little contact and exchange between Indigenous communities and private philanthropy. This changed after the 2015 report of the Truth and Reconciliation Commission and the Philanthropic Community's Declaration of Action. The challenge remained for many foundations that with relatively fewer charities in Indigenous communities it has been difficult to channel funds to them. (This may change with the recent revision of the federal regulation permitting charitable grants to non-charities). One solution for foundations has been to fund national Indigenous-led charities such as Indspire (for Indigenous education). Another more non-traditional approach is to shift resources and decision-making power to Indigenous-led groups and communities. In some cases, funders have given to foundations in Indigenous communities such as Ulnoweeg Foundation in Nova Scotia. Or they have supported the Indigenous Peoples Resilience Fund which is a national intermediary to distribute funds (as "bundles") into Indigenous communities for the needs they identify.

Another option is to identify an area of focus and find Indigenous partners with whom to collaborate. Lawson has done this with diabetes prevention among Indigenous youth. One of the largest private funders partnering with Indigenous communities in Canada is the Mastercard Foundation with its EleV program co-created with Indigenous youth. Another private operating foundation that works with Indigenous communities by creating programs with collaborating Indigenous partners is the Martin Family Initiative which focuses on the family, educational and economic wellbeing of Indigenous youth.

Several private foundations (Lawson, Laidlaw, Catherine Donnelly, Counselling, and others) have recognized the importance of consulting and involving Indigenous partners directly in their development of strategies and granting decisions. They have sought out Indigenous board members, formed participatory granting committees with Indigenous peoples and reflected on how to decolonize their practices. There are many opportunities for philanthropic work in this area, particularly for Indigenous children and youth. But it remains true that much more could be done to boost infrastructure, networks, collaboration and learning in this area.

Similarly, around environment and climate change, more can be done. Even those foundations which did not have an environmental focus are now facing the worsening climate crisis and the need for more support for mitigation and adaptation strategies. This also intersects with the needs of remote and Indigenous communities, given the particularly rapid changes in northern Canada because of climate warming. In this area, there is more substantial philanthropic infrastructure and more exchange of information and approaches among a diverse group of funders. Environment Funders Canada (EFC) has grown into a strong network for environment and climate funders. The voluntary Canadian Philanthropy Commitment on Climate Change put forward by EFC and the national philanthropy networks in 2021 has acted as a goal-setting pledge and has already documented significant progress by signatories along the seven pillars of Education, Resources, Integration, Endowment and Assets, Operations, Influence and Advocacy, and Transparency. This framework is unique in Canadian grantmaking in setting out specifics for foundation action on climate across all aspects of philanthropic work: internal learning, external use of assets, granting, convening, network building and communication. It is also unique in assessing progress on the commitment through a public report. This provides a picture of what is happening across the climate change and private philanthropy field and might be a model for future field assessments on Indigenous communities and private philanthropy.

08

Going Beyond Grants: Foundations as Convenors, Network Builders and Influence

Traditionally, Canadian foundations have not taken public positions on policy or political issues. This does not mean that foundations have not come together in certain areas to make collective public statements. The Early Childhood Development Funders Working Group is an example of such a collaboration, with open letters to policy makers and governments on issues of childcare and Indigenous early learning. Foundations in Quebec such as the Chagnon Foundation have made public statements directed at the provincial government about poverty reduction. The federal regulations governing charity activity around public policy dialogue and development were relaxed in 2019 (see section 9) to permit such activity if it is in pursuit of charitable purpose. Yet most Canadian foundations do not often fund advocacy work or use their own influence in the public policy debates. Given the relatively small endowments of most foundations, it is unlikely that they can achieve social change through project grantmaking alone.

Foundation funding can be more highly leveraged when it is used for convening, policy research and training, and sector infrastructure building. Foundations such as Maytree, Muttart, Max Bell and many of the foundations in the ECDFWG understand this and have invested in various ways to build an underresourced social policy evidence base and infrastructure. Muttart convenes federal charity policy makers regularly. Max Bell and Maytree invest in public policy training for nonprofit organization leaders. McConnell and Lawson have supported Solutions Labs to develop innovative policy ideas. All these funders have also supported sector infrastructure such as Imagine Canada, as well as the philanthropy research centre at Carleton University. But this is still an underused area of influence and opportunity for leverage by Canadian philanthropy and it is an area in which philanthropy can play a unique role in bringing diverse players and perspectives to the policy table with government.

09

A Success Factor for Philanthropy: An Enabling Regulatory Environment

The federal regulatory environment for charities, including charitable foundations, has changed significantly in the five years since 2019, after decades of very slow evolution of the framework mainly through CRA's own interpretations of policy (not through statutory change or court decisions). Three major changes have been made to the Income Tax Act since 2019: the removal of the term "political activities" from the Act, the increase from 3.5% to 5% in the disbursement quota (DQ), and the extension of charitable granting to so-called non-qualified donees (ie non-charities). Two of these changes (the elimination of the category of political activities and the extension of granting by charities to NQDs) were intended to be clarifying or enabling changes that allow foundations to grant more easily to a wider range of activities and organizations in the sector.The increase in the DQ was intended to encourage more and faster disbursements by endowed charities. The CRA has issued guidance on the enabling changes which provides more clarity for foundation staff and boards. Another regulatory change that is rolling out now is a revised annual reporting form (T3010) that collects more data on how foundations are meeting the disbursement quota and which non-charities they are funding.

While these changes have all come about because of sector advocacy efforts, and have been welcomed in general, it remains to be seen how much change will take place in the patterns of foundation funding. The changes have been made ad hoc and not as part of an overall policy re-assessment of how well the regulatory regime for charities is working in Canada. Many legal experts suggest that the Canadian regulatory framework is more risk averse and more out of date than comparable frameworks in the United States or common law countries such as the UK, Australia and New Zealand. These experts and sector leaders continue to ask for a more fundamental change that would reset the sector, such as a decision by Parliament to agree on a more modern and more expansive definition of charitable purpose, and a separation of charity supervision from charity registration. In the absence of major reform, it is likely that while incremental changes may slowly loosen the restrictions, foundations will continue to be generally risk averse in their granting and investing strategies. There is opportunity to support more advocacy and research in this area to push harder for regulatory change.