

Issues and Trends Facing Canadian Community Foundations

A REPORT BASED ON FORUMS
HELD IN RED DEER IN OCTOBER 2001
AND IN KELOWNA IN MAY 2002

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INTRODUCTION

Community foundations bring people together who care about their communities. They are independent, volunteer-driven, charitable organizations that aim to strengthen their communities by facilitating philanthropy, by partnering with donors to build permanent endowments and other funds from which they support community projects, and by providing leadership on issues of broad community concern.¹

In October of 2001, the board held a forum on emerging trends and issues facing Canadian community foundations and assembled a panel of top thinkers in the area of philanthropy. The panel was so topical and interesting that CFC decided to replicate it at its biennial conference in May 2002. Both times, the panel consisted of Tim Brodhead, President of The J.W. McConnell Family Foundation; Suzanne Feurt, Managing Director, Community Foundations, Council on Foundations; Richard Mulcaster, CEO of Vancouver Foundation; and David Uffelmann, CFC Board of Directors. Ross Ramsey, CFC Board of Directors, chaired the forum in Red Deer and Dr. Diana Leat from the London School of Economics moderated the Kelowna session.

Bartlett Consulting was contracted to prepare a paper on the “Issues and Trends Facing Canadian Community Foundations” based on the presentations at the two forums, and to incorporate findings from additional research on the topic.

Healthy organizations continually monitor both their internal and external environment, stopping periodically to reflect on the environment, recognize their potential, and improve and adapt plans. Without periodic reflection, an organization can wander or be drawn away from its intended path. This report is designed to provide information to assist Canadian community foundations in their strategic thinking and planning activities.

The report is divided into three sections. Section I presents a summary of the views and comments of the panellists from both the October and May sessions. Section II presents a brief review of the current trends and influences facing philanthropy today. And Section III provides concluding comments on the opportunities and issues that community foundations need to be aware of in order to “stay ahead of the curve.”

¹ Community Foundations of Canada. (2002) *The Community Foundation Difference: Describing What Makes us Special.*



Additional Resources

Canadian community foundations, under the leadership of CFC, have already been actively exploring many of the issues that appear in this paper. Several years ago, CFC developed principles to guide the work of community foundations and recently updated and re-released the document, *“Explorations: Principles for Community Foundation.”*

CFC will release a companion document, *“Discoveries”*, in the fall of 2002. These documents look at the opportunity community foundations have to influence the capacity of communities to face present and future challenges, not only in their roles of building financial assets and creative grantmaking, but also by offering leadership and building bridges between the diverse groups that give our communities life.

In addition, CFC has been working to clarify the roles and characteristics that define community foundations. *“The Community Foundation Difference: Describing What Makes us Special”* was endorsed by CFC members in May 2002. An organizational assessment tool, *“Reflections: Assessing Community Foundation Practice,”* a support piece to the *Community Foundation Difference*, will be available in the fall of 2002. This instrument will assist community foundations in improving effectiveness and, ultimately, sustainability. Also in development are tools and a guide to help Canadian community foundations and other voluntary sector funders assess the impact and benefit of their grants. This document will be completed by March 2003.



SECTION I: PANEL PRESENTATIONS

PANEL: “THE FUTURE OF PHILANTHROPY”

Philanthropy is not just charity or money, but rather, is a sense of social responsibility that moves to voluntary work for the common good, contributing all of our talent in order to remedy the banes and deficiencies that afflict humanity.² Manuel Arango, qtd. by Ross Ramsey

The following is a summary and synthesis of the panellists' remarks from both the October 2001 and the May 2002 CFC forums on “The Future of Philanthropy.”

At the May 2002 panel, Dr. Diana Leat was asked to comment on the future of philanthropy from an international perspective. She began by making a distinction between the future of philanthropy, which is about giving, and the future of organized, institutionalized giving in the form of foundations, and more specifically community foundations. In Europe this distinction is especially important as they come to grips with the advent of what some see as a distinctly foreign import – the endowed grantmaking foundation of the U.S. community foundation model. There is growing questioning of the relevance of this model in understanding European philanthropy. Encouraging foundations on the U.S. model is clearly not the same as encouraging giving and citizen involvement, Leat asserted.

Dr. Leat identified the following challenges:

- **Coherent role statement:** Foundations must identify their new, distinctive roles in the face of a lack of consensus over the responsibilities of the various sectors. Without this, foundations will be increasingly vulnerable to the often-unrealistic expectations and hyperbole of governments as they cast around for ways of ensuring service provision without increasing taxation.
- **Less hype, more realism:** Foundations must control their own inflated publicity and address their limitations in order to identify what they can do, then do it well and demonstrate that they have done it. In identifying what they can do, and do well, foundations will have to address a number of thorny issues – not the least of which is core funding.
- **Shibboleths and Sanctuaries:** Foundations need to consider ways in which they can make their structures and practices effectively contribute to the achievement of their goals. If foundations really want to be truly creative, innovative contributors to meeting social needs and aspirations, what board and staff recruitment policies and practices do they need to have in place?
- **Courage to question conventional wisdom:** Questioning the value and limitations of the cult of short-term targets and performance measurement is essential.

² Ramsey, G.R., Reynolds, R. 1997 *The Social Reconnaissance Project: Discovering Philanthropic Leadership Opportunities*, The Vancouver Foundation. P. 71



- **Daring to be different:** Dare to ask what more accountability (as distinct from transparency) really means and where it leads. There is an argument that what we desperately need is not a Third Way but a Third Voice, accountable to neither the market nor the state (who increasingly resemble each other).
- **Promoting chocolate not chewing gum or the kitchen sink of community:** Community, civil society, social capital and so on have become the chewing gum of social policy –sticks to everything but devoid of nutritional content. Foundations, community foundations in particular, need to rise to the challenge of the richness, the diversity and the conflict of community and civil society.

Dr. Leat concluded by stating that this is a very different agenda from following the dream of the inter-generational transfer of wealth. What is needed is clarity, coherence, courage and confidence to provide a Third Voice.

TIM BROADHEAD, PRESIDENT, THE J.W. MCCONNELL FAMILY FOUNDATION

Tim Broadhead with “Where Are We Now?” From the grant recipients’ perspective, the present pattern of funding is not working and cannot be sustained. Specifically, there is a crisis for most organizations in obtaining stable operating revenue not attached to projects. Government funding accounts for 80-90% of charitable sector funding in Canada, and competition for the balance is fierce. Without government involvement, participation and financing, no solution is possible. While the Voluntary Sector Initiative (VSI) of the federal government and voluntary sector holds promise, changes in thinking about the not-for-profit sector must occur at both the federal and particularly the provincial government level in order to address the problem of lack of stable operating revenue. In addition, other non-governmental funders such as foundations must also be prepared to modify their practices on operating costs.

Present methods of funding from most sources, including government and foundations, do not enhance community capacity over the long term because they are mostly short-term and increasingly donor-centred. An organization’s own capacity building is not only legitimate, but also essential, and so should also be funded by more generous contributions to operating costs. The community’s interest must be re-asserted through a more integrated and demand- versus supply-based approach among donors, and a renewed focus on the community’s, rather than the donors’, interests and needs.

At present, there is no consensus about the respective roles and expectations of public, private and non-profit sectors, which accentuates confusion among them. Accountability needs to be clarified, and distinct, generally accepted performance measures adopted so that complementary rather than competitive functions can be identified.

From the donors’ perspective, donors, funders, corporations, and governments want to be strategic and to make a difference, but some issues are not amenable to a solution. There are wide differences over what it means to be “strategic.” For corporate donors, it



means that giving is tied to overall corporate objectives, such as marketing and public relations. For foundations, it means focused granting as part of a coherent plan related to a field of interest or intended outcome. For government, it means promoting government priorities, often through leveraged funding. For not-for-profit organizations, it means funding linked to long-term missions and objectives, as opposed to the opportunistic, project-based funding often required for organizational survival. Donors cannot each pursue their own strategic objectives without any regard for the broader context and the community's needs. Greater collaboration among all funders is essential, and the issue of donors determining which community needs should be funded must be discussed.

What lies ahead, from Brodhead's perspective, is that the intergenerational transfer of wealth offers an enormous opportunity for the not-for-profit sector. This potential source of funding is critical for many, especially smaller, organizations. Unfortunately, donors today are making fewer, larger donations. They want results; they are more hands-on and demanding. The implications are different for different types of organizations. For community foundations, the change in donor attitudes cannot be ignored, but their unique position in being able to assert the community's needs, interests and assets, promote collaboration, and exercise community leadership will require them to articulate more clearly what the "community" in their name refers to.

For larger charities and institutions, increasing emphasis on donor relations and marketing as the driving force behind revenue generation is providing great opportunity to engage donors. For small charities, the situation has become untenable, given the changing pattern of United Way/Centraide support (away from operating costs), contractual/competitive relationships with government, and the generally low public profile of small not-for-profit organizations. For United Ways, an increased emphasis is being placed on donor preferences rather than community needs *per se*, so that the key role is switching from the efficient allocation of monies raised to marketing. Foundations will probably see rapid growth in the number and size of community and family foundations, but, as in the U.S., may face growing competition from the commercial Fidelity-type trust funds.

To some extent, all of this is mitigated by the uneven distribution of wealth. Not all regions or parts of society will benefit equally from new and inherited wealth, which could exacerbate social divisions. This will make the definition and embracing of community even more important.

The growth of "high profile" philanthropy, coupled with the structural weaknesses described above and governments' inconsistent support and occasional manipulation of the sector, also carries some dangers. Among them are lack of knowledge, unrealistic expectations, and even a backlash due to poor performance.

Those of us involved in this work must balance the need to be celebratory about the possibilities and achievements of philanthropy, in order to encourage others to be generous and community-minded, with the need to be humble about the limitations of



private generosity. An appropriate mix of a publicly funded social safety net and individual generosity is not the same as downloading responsibility for all social, cultural and economic issues to the vagaries of organized charity. September 11 must be seen not as the occasion to replace the welfare state by the security state, but to recognize and reinforce the necessarily collaborative way that private and public funding has played a role in meeting crucial needs. The test now is to see whether this lesson can be learned and applied every day, and not just in a time of crisis.

U.S. COMMUNITY FOUNDATION TRENDS AND ISSUES: SUZANNE FEURT, MANAGING DIRECTOR, COMMUNITY FOUNDATIONS, COUNCIL ON FOUNDATIONS

Suzanne Feurt identified a number of challenges facing American community foundations and suggested a number of solutions. The challenges include the proliferation of community foundations, the lack of definition and ability to ensure performance of community foundations, changing giving trends in the U.S., competition facing community foundations, and the need to measure performance. Solutions include better collaboration among community foundations and with other voluntary sector funders, standardization of community foundations, and a “back office” concept.

The number of community foundations in the United States has increased over the past decade to a total of about 650, although growth has generally been restricted to urban centres, and asset growth has been concentrated among a few major foundations. For the first time, community foundation executive directors have been forced to contend with shrinking budgets and consider measures such as reductions in staff and overhead spending. Many community foundations are in geographic locations that do not have the concentration of wealth to sustain them. In the United States, wealth is concentrated among a small percentage of individuals who are unevenly distributed geographically within the country. With the tax regulations regarding fund development, there is concern whether these smaller foundations can financially serve their communities.

A related issue is that in the United States, the term “community foundation” is not trademarked, and there is no clear definition of what constitutes a community foundation. For example, some foundations have asset bases as great as \$600 million, but as little as \$1 million may be permanently endowed, raising questions about the primary focus on endowments of community foundations.

Many American community foundations are grappling with changing donor demographics, patterns and types of giving, and donor expectations about how and to what end their gifts will be used. While the practice of donors making gifts through bequests or wills is still prevalent, the United States has witnessed a new trend in which donors gift money out of their current assets, while they are still alive. In addition, research about what drives a new generation of donors to make charitable gifts is lacking, so that community foundations have no clear direction about how to craft their messages in order to ensure that new donors become lifelong contributors. More and



more donors are becoming more global in their thinking and often have divided loyalties. Feurt cited the example of donors with homes in two locations. A number of foundations are experimenting with multi-location donor funds. Community foundations need to think more carefully about how they connect donors back to the community and how to more effectively engage professional advisors.

At the same time, community foundations face increasing competition for donor gifts. Philanthropy has become a big business, and many new players have entered the field, including universities and hospitals, and other not-for-profit organizations, many of which now hold their own donor-advised funds. Another major competitor is private sector trust companies, which have recently introduced charitable gift funds, similar to donor advised funds at community foundations. Fidelity Trust, one of these companies, is now the biggest grant maker in the United States. Commercial gift funds also create challenges for community foundations from a social development perspective, Feurt cautioned, as the nature of the gifts may better meet the needs of the donor than the needs of the community.

This diversion of donations has reduced revenues for both community foundations and the United Way in the U.S. The United Ways have lost their donor share and are now moving into endowment and donor advised funds. The relationships between community foundations and United Ways vary across the U.S., with some cooperative, some conflictual. In addition, for-profit donor advisory services are now rivalling community foundations in educating prospective donors about philanthropy. There is a blurring of the distinction between community foundations and United Ways, particularly as there is a tendency for board members to sit on both organizations' boards over the course of their volunteering, creating confusion in the mind of the general public and donors. Another competitor for community foundations is the growth of identity-based public foundations that focus on specific issues such as the environment or women.

The issue of performance measurement is causing community foundations to explore and articulate their value add to the community and to donors. This is an area that needs a tremendous amount of work. Increasing pressure from community foundations to meet member expectations means that members want a greater return for their dues, and there is an increased expectation of responsiveness.

The challenges facing community foundations in the United States have influenced developments in the ways they are doing business. Foundations are exploring new ways of working together. New umbrella organizations have emerged which have the potential to either unite or further fragment the field. Until recently, most foundations have worked primarily in isolation, such that there are not yet any good mechanisms for sharing best practices among the players. Now, community foundations need to come together to address issues like managing growth and proliferation of community foundations, how to take advantage of the intergenerational transfer of wealth, accountability to donors, and ways of supporting smaller and particularly rural



community foundations. Feurt suggests that smaller community foundations consider concepts such as a backroom office for a number of community foundations, consolidation, affiliation, mergers and cost sharing.

RICHARD MULCASTER, CEO, VANCOUVER FOUNDATION

Richard Mulcaster identified three themes that will affect community foundations: the different roles that community foundations will play in five years, the relationship with community that is essential to community foundations, and the impact of globalization on community foundations.

He believes that community foundations will look very different in the next five years. Because they are “reservoirs of trust,” they will become more of a distribution channel for funds in several ways. Community foundations are obvious channels for government dollars, something the Vancouver Foundation is currently negotiating with the B.C. government. Vancouver Foundation understands the entire province, has relationships with communities across the province and, therefore, is a logical choice. Community foundations also act as distribution channels by bringing in U.S. funds to Canada, \$ 25 million of which is dispersed in B.C. alone for environmental issues. And community foundations serve as corporate distribution channels, as shown in the example of a Vancouver technology company with offices in Silicon Valley and London working with local community foundations.

This leads to the second point: community foundation relationships with the communities they serve. Currently, with government cutbacks to not-for-profit sector funding, there are not enough people who really understand communities. Community foundations can play a role in this.

And finally, there is the notion of communities getting bigger through globalization. Community foundations can play a key role in this as evidenced by the Mott funding of community foundations around the world. Community foundations can show the positive component of globalization and take a leadership role.

The job of community foundations is to bring resources to the table, to play a convening role. Community foundations need to come up with brilliant funding programs. That often means coming up with the first money for an initiative, taking risks, encouraging government to participate in the building of community.

DAVID UFFLEMANN, COMMUNITY FOUNDATIONS CANADA, BOARD OF DIRECTORS, COMMUNITY FOUNDATIONS OF CANADA

David Ufflemann believes that tremendous opportunity and growth lie ahead for Canadian community foundations if they anticipate future trends. Until now, community foundations have not been particularly good at planning ahead.



Foundations now have the opportunity to benefit enormously from the imminent intergenerational transfer of wealth. These donors are different and new to philanthropy: they are often unfamiliar with the voluntary sector, and they can be incredibly difficult to target. The charitable sector must reach this population before the financial institutions do, or the opportunity will pass us by. The investment required to tap these resources is huge, but the payoff to our society could be completely unprecedented.

If community foundations are to effectively capture this population (and their wealth), they will have to work more strategically and more collaboratively. Foundations have insufficient resources to work in isolation. Community foundations need to strengthen their already successful relationships with community partners. Partnerships are and should be formed among community foundations to work on initiatives such as Leave a Legacy or the IMAGINE campaign. Moreover, community foundations must adopt a more business-like approach, Ufflemann maintains, but “business-like with a heart.”

While community foundations are good at grantmaking and community leadership, they need to embrace some of the tenets of the private sector—being aggressive and disciplined, taking risks, clear vision, positioning themselves well, recruiting the best, investing in technology, evaluating results and seeking leverage and return on investment—in short, maintaining an edge. Community foundations need to work more closely with and mimic some components of the private sector.

In the near future, donors are going to have higher expectations of community foundations, and we need to provide services that meet these increasing expectations. Some of the recent technological innovations by community foundations, such as Calgary Together and Vancouver Foundation’s Investment Accounting, have been quite encouraging. Community foundations need to ensure excellence in their investment and stewardship, as they are critical to their success.

With the trend to provincial downloading, the relationship that community foundations have with their communities is extremely valuable. To benefit from these connections properly, community foundations have to offer excellence and a certain standard should be expected. However, community foundations must bear in mind that some community challenges are too big to handle alone. Community foundations need to cooperate and collaborate with the United Way, the corporate community, and others. Ufflemann believes that the opportunities are great, and that there is plenty of space for everybody.

The key to good strategic thinking is to be good at what you do and know yourself well. Community foundations need to lead and lead boldly. The key challenge will be operational resources for local community foundations.



SECTION II. RESEARCH/LITERATURE REVIEW

1. INTRODUCTION

Recent reports from the Canadian Centre for Philanthropy, the J.W. McConnell Family Foundation, and the Centre for Voluntary Sector Research and Development, among others, have identified a number of trends and factors that are re-shaping the philanthropic environment in Canada. This literature review outlines the primary ways in which these trends affect community foundations. First, the key issues shaping a growing demand for financial support from community and other foundations are discussed. Second, the factors influencing the supply of community foundation funding are outlined. Finally, the review identifies some of the issues influencing foundations' decision-making and community investment strategies.

2. CURRENT STATUS OF THE NOT-FOR-PROFIT SECTOR

A range of social, demographic, and economic factors are contributing to increased demand for a range of supports and interventions from the charitable sector. At the same time, fiscal restraint at all levels of government and public demand for greater accountability for government spending, have affected all aspects of not-for-profit sector activity, from social services to the arts, and shifted more of the responsibility for society's less fortunate members from government to the voluntary sector. The not-for-profit sector is called upon to accommodate and address increased and more complicated public demand and to be more accountable for the funding it receives, all within an increasingly complex funding climate. These factors have contributed to increased competition among organizations that might otherwise be working together.³

2.1 FINANCIAL CONSTRAINTS

The charitable sector has insufficient funding to manage increased need and increased demand for accountability. Increase in need is attributable to several factors including: (1) an increase in the proportion of older Canadians who live longer and require care; (2) increase in stress on families as a result of cuts for support services; (3) the increasing incidence of poverty connected to broader macro-economic issues; (4) introduction of new diseases requiring new programs and services to meet needs; and (5) the changing demographics of clients themselves.⁴

Increased demand for accountability reflects many other issues, including a greater interest by donors to see results, along with public perceptions about

³ Orsini, M. (2000) *Third Sector, Second Thoughts? Key Issues and Challenges Facing Canada's Voluntary Organizations. Background paper.* (Ottawa: Centre for Voluntary Sector Research and Development, Carleton University and the University of Ottawa).

⁴ Orsini, *Third Sector, Second Thoughts?*



duplication in the sector and fears about unscrupulous fundraising practices.⁵ Not-for-profit organizations face the added problem of building support for core activities in an environment in which governments, donors, foundations, and corporations are moving toward targeted or short-term funding. There appears to be a trend in the U.S., particularly within the child and youth sector, where foundations have generally moved toward funding larger, longer, multi-component, often place-based, and community-driven initiatives designed to achieve more impact and improve outcomes.⁶

2.2 ORGANIZATIONAL AND SECTOR CAPACITY

New demands from those receiving services and other stakeholders require higher staff, volunteer, technical and technological capacity in the not-for-profit sector. Many organizations require a larger and more skilled volunteer base to support program delivery and to generally increase their capacity to lead and govern,⁷ but resources for volunteer recruitment, training, and support may be lacking. At the same time, salaries paid in the voluntary sector have not kept pace with the private realm. While there has always been a disparity between the sectors, this gap has widened to the point where it is more difficult to attract and retain qualified staff. Also, most organizations do not have the capacity to evaluate their programs in order to demonstrate results to funders and donors, nor do they have sufficient funding to engage external evaluators.

Finally, information technology, along with the skill to use it, is increasingly required by service-providing agencies to manage consumer and program volume, provide services in alternate and innovative ways, and meet new accountability requirements. Organizations with the financial and organizational capacity to keep abreast of and incorporate the tools afforded by new technology are best situated to improve service delivery and attract new or additional dollars, thereby perpetuating their cycle of growth and success. Some researchers speculate that the rapid growth of technology may contribute to a “digital divide” between have and have-not organizations.⁸ In fact, the digital divide is a microcosm of the larger trend toward disparity between have and have-not organizations. Organizations with lower initial capacity may falter, even though the services they deliver may be of equal value.

⁵ Wyatt, Bob. (2001) “Viewpoint: If Not Now, When?” *The Philanthropist* 16(4): 295-305.

⁶ Weiss, H; Lopez, M.E. (2000) “New Strategies in Foundation Grantmaking for Children and Youth.” *Community Youth Development Journal* (Winter 2000) Vol. 1(1).

⁷ Orsini, *Third Sector, Second Thoughts?*

⁸ J.W. McConnell Family Foundation, *Trends in Philanthropy*.



3. THE FUNDING ENVIRONMENT

Rapid growth of the not-for-profit sector to accommodate burgeoning needs has contributed to increased competition between, and blurring of the boundaries among, the public, private, and not-for-profit sectors.⁹ In Canada, the private sector's financial contribution to the voluntary sector is currently less than 2% of pre-tax profits, with 60% of voluntary sector funding derived from government, 10% from foundations, and the remainder made up by individual donations and fundraising activities. Efforts to sort out responsibilities and to forge mutually beneficial partnerships among the three sectors include the Canada West Foundation's Alternative Service Delivery Project, IMAGINE'S Private Voluntary Sector Forum, the Three-Sector Initiative in the U.S. and, perhaps most important, Canada's Voluntary Sector Initiative (VSI).

The VSI may evolve into one of Canada's greatest social reform movements. Its long-term objectives are to strengthen the voluntary sector's capacity to meet the challenges of the future, enhance the relationship between the sector and the federal government, and augment the overall capacity of the sector to serve Canadians. A framework, known as the "Accord," has been developed by the VSI's Joint Accord Table to articulate shared values and principles to guide the relationship between the voluntary sector and the federal government. The Joint Accord Table has prepared a plan to implement the measures and mechanisms outlined in the Accord.

While it is expected that such initiatives will have a significant impact on the voluntary sector over time, the ways in which community foundations do business are currently shifting in response to the broader social, political and economic changes described above. Concurrent with increased demand for community foundation funding are changes in the demographic make-up of foundations' traditional donor base, the culture and nature of giving and, potentially, the role of community foundations in shaping and influencing social policy and addressing emerging social problems at a more grassroots level. Collectively, all of these factors are influencing the roles and the nature of community foundations.

3.1 A CHANGING DONOR BASE

3.1.1 Individual donors

In Canada, fewer individuals are making larger donations. The National Survey of Giving, Volunteering and Participating (NSGVP) 2000¹⁰ found that fewer than 10% of Canadians contributed 46% of all donations. Canadian charities and non-profit organizations continue to rely on a relatively small group of donors. Between 1991 and 1999, the percentage of donors as reflected by income tax records declined from 29.4% to 25.5%. The top one-quarter of donors who gave \$213 or more during the year accounted for 82% of total donations. This is

⁹ J.W. McConnell Family Foundation, *Trends in Philanthropy*.

¹⁰ Hall, M., McKeown, L., Roberts, K. (2001) *Caring Canadians, Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*. Ministry of Industry, 2001



attributed to increasing concentration of wealth among a smaller proportion of the population, along with a decline in the size of two traditional donor populations: people with children aged six to 17 years and people who attend church frequently.¹¹ On the other hand, total charitable donations exceeded \$5 billion in 2000, an increase of 6% since 1997.¹² This may be attributable to changes to Canada's tax regime, which were phased in starting in 1995 to raise the upper limits of charitable contribution claims and reduce the capital gains tax associated with gifts of securities.¹³

In addition, when in-kind and non-receiptable donations are factored into the equation, it does appear that the majority of Canadians continue to contribute to charity. The 2000 NSGVP also found that almost 22 million Canadians—91% of the population aged 15 years and older—made donations, either financial or in-kind, to charitable and non-profit organizations between October 1, 1999 and September 30, 2000. Almost eight in 10 (78%) made direct financial donations either in response to a request from, or by approaching an organization; 41% deposited money in cash boxes at store checkouts; and 4% reported leaving a bequest to a charitable, religious or spiritual organization as part of a will. In-kind donations were also common: 69% donated clothing or household goods and 54% donated food to a charitable organization such as a food bank.

Although Canadian research is limited, it appears that the demographic base of donors may be shifting to include more women, youth, and members of non-dominant ethnic and cultural groups. These groups are currently being targeted for giving by some American foundations.¹⁴ American research suggests that three new kinds of players are entering philanthropy: entrepreneurs who have rapidly accumulated new wealth; beneficiaries of the inter-generational transfer of wealth within families; and recently successful small- and mid-sized business operators, including women and ethnic minorities, who are in a position to donate. Many members of the new generation of philanthropists are disinclined to support traditional institutions and tend to favour new causes, such as the environment, and grassroots organizations.¹⁵

In the U.S., these new donors have been driving changes in perceptions about philanthropy and the expectations of donors. Such changes appear to hold true in Canada. Reports on charitable giving suggest that there exists a greater “investment mindset” on the part of Canadians. To some extent, return on

¹¹ Floyd, Gordon (2002) *Focus on Philanthropy Conference*. Presentation by Gordon Floyd, Vice President, Canadian Centre for Philanthropy to the conference organized by The Calgary Foundation, Calgary, Alberta, January 2002

¹² Hall, McKeown, and Roberts. *Caring Canadians, Involved Canadians*.

¹³ Draimin, T. (undated) *Strengthening Canadian Philanthropy and the Voluntary Sector*. (Vancouver: Tides Foundation).

¹⁴ J.W. McConnell Family Foundation, *Trends in Philanthropy*.

¹⁵ The Center on Philanthropy and Public Policy, University of Southern California. (2001) *What is “New” About Philanthropy? A Summary of a Forum on Philanthropy, Public Policy and the Economy, January 19-20, 2000*. (Los Angeles: The Center on Philanthropy and Public Policy).



investment criteria is replacing traditional views about charity and philanthropy. For many donors, demonstrating need and good intentions is not enough; donors want some assurance that their gift is making a difference.¹⁶ As noted by Floyd, “[d] donors give to those that meet needs, not those that just have needs.”¹⁷

A public opinion survey commissioned by the Muttart Foundation and conducted by the Canadian Centre for Philanthropy revealed that Canadians express great respect and support for charities. Yet, they also stated that there were too many charities seeking donations for the same causes, and three-quarters of respondents wanted more information about how charities use donations, the fundraising costs of charities, and the impact of their work.¹⁸

The desire for increased accountability and demonstrated results is clearly reflected by the rise in “venture philanthropy.” Venture philanthropy encourages donors to accept a higher degree of failure and to fund projects for a longer period of time. For example, Social Venture Partners (SVP) Calgary has formed to raise and lever funding from the private sector to support programming for economically and socially disadvantaged children and their families. As a condition for their support, the venture philanthropists generally seek hands-on involvement, accountability, measurable results, and a demonstrated return on their investment.¹⁹ Venture philanthropy is often based on a belief that government funding will ultimately be provided to support successful projects, just as successful venture capital companies ultimately make a profit and become independent. The venture capitalist/philanthropist can then move on to support other new risk-taking projects. It appears, however, that this assumption may no longer be true in the not-for-profit sector; that is, worthwhile projects may be created but not be sustained.²⁰ Thus far, venture philanthropy does seem to have produced only marginal benefits. The approach seems to work best with new donors, modest sums of money, direct services, and a decidedly local impact.²¹

3.1.2 Corporate giving

Shifts are also apparent in the underlying factors motivating corporate giving. To some extent, corporate donations are now less focused on philanthropy and more focused on “reputation management.” Corporations want to be seen as good corporate citizens and may seek involvement in the capacity of partners to ensure a “good return on investment.”²² However, domination of the corporate community by truly global firms may mean fewer connections to the local community and, consequently, less concern about and desire to assist with

¹⁶ Hall, McKeown, and Roberts. *Caring Canadians, Involved Canadians*.

¹⁷ Floyd, *Focus on Philanthropy Conference*.

¹⁸ Wyatt, Bob. (2001) “Viewpoint: If Not Now, When?” *The Philanthropist* 16(4): 295-305.

¹⁹ J.W. McConnell Family Foundation, *Trends in Philanthropy*.

²⁰ Carson, E.D. “Grantmakers in Search of a Holy Grail.” *Foundation News and Commentary*. Jan/Feb 2000 Vol. 41(1).

²¹ Kramer, Mark (2002 “Will Venture Philanthropy Leave a Lasting Mark on Charitable Giving?” *The Chronicle*, 5/2/2002.

²² Hall, McKeown, and Roberts. *Caring Canadians, Involved Canadians*.



community issues or problems.²³ In short, strategic giving by corporations may not represent the best investments from the community's perspective, or from a social perspective.

As reported in *Talking About Charities*, survey respondents believe that corporations should perform a social, as well as an economic function. Eighty-eight percent of respondents stated that making a profit, paying taxes, and obeying laws is not enough; 64% say companies should donate more. Patten points out, however, that expectations of the private sector should be realistic: "We need to keep in mind that the private sector has its own preoccupations – it is undergoing massive restructuring, mergers, downsizing, etc. The private sector looks to its own survival first and then to its own growth."²⁴

3.2 FOUNDATION GROWTH AND COMPETITION FOR FUNDS

An increase in the number of community foundations, along with the emergence of new charities and alternative funds, have heightened competition for donor dollars and increased the philanthropic options for donors. In recent years the number of community foundations has escalated in both Canada and the U.S. At present, there are over 1,300 active foundations in Canada, with assets of \$7.8 billion and grants totalling more than \$800 million. Between 1994 and 2001 the number of Canadian community foundations more than doubled from 55 to 116. The total assets of these foundations grew by 250%, from \$580.5 million to over \$1.4 billion, and total grants more than doubled, from \$33.2 million to \$70 million.²⁵

In conjunction with the rise in the number of community foundations, both Canada and the U.S. have witnessed a growing trend in the creation of "affiliate funds." Although definitions vary, this term generally refers to "component funds of an established or lead community foundation that cover a specific geographic area."²⁶ In essence, affiliate funds function as "mini-foundations" operating with some degree of autonomy from the parent foundation. A key objective of an affiliate fund is to expand a foundation's territory with a view to increasing its donor base and extending its benefits to rural areas where the population is too small to support its own foundation.²⁷

²³ Orsini, *Third Sector, Second Thoughts?*

²⁴ Patten, M. (2000) *Issues in the Voluntary Sector*. Presented to a Symposium hosted by Coalition of National Voluntary Sector Organizations, Canadian Centre for Philanthropy, and Centre for Voluntary Sector Research and Development. Banff 2000

²⁵ Community Foundations of Canada (2001) *Annual Report Building Just and Resilient Communities*.

²⁶ Eleanor W. Sacks. (2002) *Serving Communities Better: Community Foundations' Use of Geographic Component Funds and Other Strategies and Structures to Cover Territory*. Worldwide Initiatives for Grantmaker Support – Community Foundations (WINGS-CF)

²⁷ Eleanor W. Sacks *Serving Communities Better: Community Foundations' Use of Geographic Component Funds and Other Strategies and Structures to Cover Territory*.



In recent years, the United Way's monopoly over workplace giving has been challenged on several fronts in both Canada and the U.S. When adjusted for inflation, contributions to American United Ways were lower in 2000 than in 1988.²⁸ At present, Canada's alternative fund movement is still small and has yet to exert a significant influence on donor giving, although this may still occur. Canada's United Ways raised over \$328 million in 2000, representing an 8.8% increase over 1999 and, despite the economic downturn, most United Ways matched or exceeded their targets in 2001.

3.3 FORMS OF GIVING

Over the past decade, forms of giving have also shifted. For example, more than 60% of the \$185 million donated to Canadian community foundations in 2000 came in the form of securities.²⁹ In addition, many organizations have now established endowment funds, although Canadian endowment assets are minuscule compared to those in the U.S.,³⁰ and both Canada and the U.S. lag behind the United Kingdom, which derives 60-90% of charitable income from legacies. Ketchum Fund Raising Counsel's 1999 publication on trends in endowment giving in Canada³¹ indicates, "Canadian donors and their charities of choice are experiencing what some call a 'significant' trend in giving to endowed funds." The publication suggests that the interest in endowments is a reflection of the growing need of charities for longer-term stability, coupled with the evolution of sophisticated, enlightened donors who better understand the needs of charitable organizations. The Ketchum document cautions, however, that the evolution of endowed giving is still relatively new. According to survey respondents, 81% of endowment gifts come from individual donors rather than corporations or foundations.

Canadian community foundations are seen by key respondents to the Ketchum survey to be at the forefront of endowment building: "They are leaders in creating a culture of responsiveness to the donor's values and interests."³² However, community foundations do face competition for endowed dollars from large institutions, such as universities and hospitals, which currently lead the pack in the planned giving field.

In addition, the Internet offers great potential as a source for raising funds; recruiting, training, and using volunteers; and developing partnerships. Citing a recent report of the W.K. Kellogg Foundation,³³ Orsini provides examples of on-line partnerships among the not-for-profit and public and private sectors to

²⁸ J.W. McConnell Family Foundation, *Trends in Philanthropy*.

²⁹ J.W. McConnell Family Foundation, *Trends in Philanthropy*.

³⁰ Draimin, T., Morrissey, J. (2001) *Thinking Long Term: Building An Endowment. Why, When and How to Get Started on an Endowment*. Tides Canada Foundation Publication

³¹ Ketchum Fund Raising Counsel (1999) *Ketchum Philanthropic Trends: Trends in Endowment Giving*. Winter 1999.

³² Ketchum Fund Raising Counsel, *Ketchum Philanthropic Trends*, p. 3.

³³ W.K. Kellogg Foundation, (2000) "*e-Philanthropy, Volunteerism, and Social Changemaking: A New Landscape of Resources, Issues and Opportunities*." February 2000, p.12.



provide services and information and to promote volunteerism and “e-giving.” However, while the McConnell Foundation also describes “e-philanthropy” as a major trend, it is noted that a number of charity portals in the U.S. have not performed up to expectations, and some have folded due to lack of donor interest.³⁴ Also, as observed by Patten, e-philanthropy web sites do not appear to capture the essence of the sector. She emphasizes that the voluntary sector must play a stronger role in Internet partnerships with the private sector if such partnerships are to achieve their intended goals.³⁵

4. THE CHANGING FACE OF FOUNDATION GIVING

Over the past two decades, there has been much discussion about the shift in philanthropy from a private act of compassion for unfortunate circumstances to strategic giving targeted to eliminate specific causes.³⁶ For foundations, changes in public policy are best yielded through the exercise of “soft power;” that is, influencing change through attraction and affinity rather than coercion. Soft power is maximized when foundations work in collaboration via partnerships and larger associations for professional development, to conduct research, communicate the value of philanthropy, and promote responsible philanthropy by taking leadership in matters of ethics and accountability.³⁷

Most experts agree that foundations are uniquely suited to lead social progress by making effective use of scarce resources, free from political pressures. As observed by Porter and Kramer, “the permanence of a foundation’s asset base means that it has an appropriately long time horizon in which to tackle social issues and develop expertise in the field. Thus, foundation dollars can achieve greater social impact than the same monies spent by either private donors or the government.”³⁸ For Porter and Kramer, the goal of a foundation should be to achieve equivalent social benefit with fewer dollars or greater social benefit at a comparable cost than could be accomplished by anyone else.

At the same time, like the not-for-profit organizations, foundations are being called upon to account to donors and government for the ways in which dollars are expended. This includes providing a rationale for the sectors they fund, evidence of good management of donor dollars, and evidence that supported agencies and programs do, in fact, make a difference. Foundations must ensure that the dollars they invest yield long-term, far-reaching, and timely results, and capture as many members of the target client population as possible.³⁹ At the same time, foundations are challenged to find ways to

³⁴ J.W. McConnell Family Foundation, *Trends in Philanthropy*

³⁵ Patten, *Issues in the Voluntary Sector*.

³⁶ See, for example, Joseph, James A. (2002) *Philanthropy in a Divided World. Thinking Globally – Collaborating Regionally*. Address to WINGSFORUM, Sydney, Australia, March 11, 2002.

³⁷ Joseph, *Philanthropy in a Divided World*.

³⁸ Porter, M.E.; Kramer, M.R. (1999) “Philanthropy’s new agenda: Creating value.” *Harvard Business Review* November-December 1999: 121-130, p. 123.

³⁹ J.W. McConnell Family Foundation, *Trends in Philanthropy*.



accommodate competing requests for financial support. As a result, they are increasingly called upon to identify new or stronger criteria for agency or program selection, to consider new or different investment strategies, and to identify ways of building agency and sector capacity.

4.1 COMPETING REQUESTS FOR FUNDS

There is little guidance to funders about how to manage competing requests for funds with fixed or declining amounts of available dollars. Foundations have been urged to support those organizations that are the most cost effective or that address urgent problems.⁴⁰ Clearly, funders' ability to identify such organizations and programs depends on their knowledge of the sector and the existence of solid research and program evaluation. But funders cannot be expert in all not-for-profit sector issues and trends, nor should they assume a social planning function in isolation from those who provide the services, who may be far better versed in the area. Stakeholders must be actively engaged in collaborative processes to identify and redress key issues.⁴¹

Funders and, it is argued, foundations in particular, must sometimes take risks that may not be universally applauded. However, support for new initiatives must be balanced with reasonable expectations as to how they will be sustained, and whether money from fixed funding pools should be diverted from existing, successful programs.⁴² It is assumed that funders who are skilled at evaluating and selecting effective organizations can maximize the return on their investments by attracting other funders to augment or replace the initial funding provided.⁴³ Canadian funders are now wrestling with the emerging problem of new programs with demonstrated results that are unable to attract ongoing financial support. Canada has witnessed a surge in the number of funders, including government, that fund start-up and demonstration projects, and a concurrent decline in dollars available to sustain both ongoing and new, successful programs.

4.2 COMMUNITY INVESTMENT STRATEGIES

While Canadian community foundations, private foundations and other voluntary sector funders have been exploring various ways of maximizing their resources for some time, there is little Canadian literature about these strategies. However,

a recent survey of 19 major American foundations commissioned by the Kellogg Foundation in the U.S.⁴⁴ reveals an increased emphasis on investment strategies

⁴⁰ Porter and Kramer, "Philanthropy's New Agenda: Creating Value."

⁴¹ Torjman, S. (1998) *Strategies for a Caring Society*. Presentation at the conference "Investing in the Whole Community: Strategies for a Caring Society," Ottawa, 1998. (Ottawa: Caledon Institute of Social Policy), p. 5.

⁴² Carson, "Grantmakers in Search of a Holy Grail."

⁴³ Porter and Kramer, "Philanthropy's New Agenda: Creating Value."

⁴⁴ Weiss, H; Lopez, M.E. (2000) "New Strategies in Foundation Grantmaking for Children and Youth." *Community Youth Development Journal* (Winter 2000) Vol. 1(1).



that focus on asset models, community building, and capacity development.

4.2.1 Asset-based approach

Briefly, “asset-based” refers to John McKnight’s findings that effective projects need to shift from a focus on people’s or a community’s needs, problems and deficiencies to instead build on their assets, strengths and capacities. This model is premised on the view that investing in the development of individual and community resources will strengthen resilience and prevent the development of problems. While there are clear benefits to this approach, some authors observe that strict adherence to the asset model can hinder rather than encourage constructive dialogue about how to address social issues, especially poverty. There exists a risk that candid statements describing the difficult issues facing either people or communities will be dismissed as “deficit thinking,” and real solutions will be overlooked.⁴⁵

4.2.2 Community building or development

This concept refers to either broad or specific efforts to strengthen communities, defined as individuals grouped by geography, affinity, or interest—or as groups of agencies or an entire sector. In this model, funding for discrete programs is dependent on the ways in which the program strengthens or builds the capacity of an entire community. Funding strategies that reflect a community-building paradigm are premised on broader concepts about civil society, social capital, and civic engagement. In Canada, this may reflect the belief, as stressed by the Caledon Institute of Social Policy, that reducing poverty is the most important investment and a prelude to other forms of community investment.⁴⁶ The civil investment paradigm encourages funders to take a broad approach to funding strategies and consider overall community strength or capacity in terms of social capital and civic engagement. It is suggested that this paradigm can assist funders to (1) approach issues in terms of “connective structure, such as ad hoc or informal groups below the official realm,” (2) identify processes that are not legislative or problematic; (3) view people as citizens solving problems rather than clients; and (4) look to collective community capacity rather than seeking immediate outcomes.⁴⁷

⁴⁵ Carson, “Grantmakers in Search of a Holy Grail.”

⁴⁶ Torjman, *Strategies for a Caring Society*, p. 5.

⁴⁷ Zehr, M. (1996) “Getting Involved in Civic Life.” *Foundation News and Commentary*. (May/June 1996), p. 22.



4.2.3 Building capacity

One of the most difficult tasks faced by foundations is to assist agencies in building their capacity to manage all of the challenges they face in the new millennium. The importance of assisting individual agencies or the not-for-profit sector, in part or as a whole, to accumulate or develop the skills and resources they require to provide essential services is widely recognized.⁴⁸ By helping organizations improve their own abilities, foundations can generate benefits that extend beyond the individual programs they support.⁴⁹ Three inter-related priority areas for capacity building have been identified in the literature: organizational infrastructure, research and evaluation, and technical capacity and competence.

4.2.4 Outcome Measurement

With a view to increasing accountability and identifying which programs to fund or continue funding, more foundations are requiring agencies to clearly demonstrate program effectiveness by measuring outcomes. Outcome measurement is a form of evaluation in which the effects of programs on individual participants are quantified and tracked over time. At first blush, this appears to be a straightforward way for funders to identify which programs to support. However, it can be onerous, difficult, and time consuming for both foundations and agencies, and the identification of desired outcomes carries with it a number of challenges. In addition, it appears that evaluation results are often ambiguous and, even when positive they do not consistently help programs to sustain existing funding or attract new resources.⁵⁰

Canada's recent panel on accountability and governance in the voluntary sector⁵¹ offers recommendations to funders to assist agencies in improving their capacity to conduct research and evaluation. These include: providing multi-year grants and funding to cover the costs of evaluation, including outcome measurement; working with organizations to develop appropriate methods and measures; building overall sector capacity to conduct evaluations; pooling resources for larger assessment and social auditing projects; and systematically assessing the funders' own performance.

⁴⁸ Porter and Kramer, "Philanthropy's New Agenda: Creating Value."

⁴⁹ Porter and Kramer, "Philanthropy's New Agenda: Creating Value."

⁵⁰ Carson, "Grantmakers in Search of a Holy Grail."

⁵¹ Panel on Accountability and Governance in the Voluntary Sector, (1999) *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, p. 40.



SECTION III: CONCLUSION

Both the panel and the literature identified a number of relevant themes for Canadian community foundations. First, community foundations ***need to be good at what they do***. This means that community foundations must be disciplined, strategic, well positioned, and recruit strong board and staff members. Community foundations, individually and as a sector, need to manage growth. It is also essential for community foundations to think about their role in a global network of community foundations.

Second, community foundations need to ***keep the community in community foundations***. The power of community foundations is that they are connected to the community, in all of its diversity and complexity. Community Foundations of Canada's seminal documents assist in keeping the concept of community at the forefront.

Third, ***developing and maintaining partnerships*** is critical for community foundations. There are tremendous opportunities to grow philanthropy. This should be done in concert with other voluntary sector funders, government, and the private sector. At the same time, community foundations need to be aware of a growing trend to endowment building on the part of other charitable organizations, the rise of special focus philanthropy and the blurring of distinction between community foundations and United Ways in some areas.

Fourth, ***demonstrating that community foundations grants and leadership activities make a difference*** is another area to focus on. Exploring this area will lead to organizational learning for community foundations, improved communication with donors, grantees and the general public, and help to maximize the investment of scarce resources in the community.

And fifth, community foundations need to ***be responsive to donors and ever changing giving trends***. The potential to connect donors with community opportunities is endless.

