

CharityVillage Connects Podcast: Canadian Philanthropy: Time for a Shake Up?

Mary Barroll: Welcome to Charity Village Connects, I'm your host Mary Barroll.

(SFX: Hummingbird flying and tone)

Mary Barroll: That's the sound of a hummingbird pollinating our world and making it a better place. The hummingbird is Charity Village's logo, because we strive, like the industrious hummingbird to make connections across the non-profit sector and help make positive change. Over this series of podcasts, we'll explore topics that are vital to the nonprofit sector in Canada. Topics like diversity, equity and inclusion, mental health in the workplace, the gap in female representation in leadership and many other subjects crucial to the sector. We'll offer insight that will help you make sense of your life as a nonprofit professional, make connections to help navigate challenges and support your organization to deliver on its mission.

Brief transition music

Mary Barroll: In this episode... are philanthropic foundations in need of an overhaul?

News clips (note: clips TBC)

Mary Barroll: In his 2018 book, *Decolonizing Wealth*, author Edgar Villanueva shook the traditional structure of North American philanthropy down to its core. His key criticisms were stark, equating philanthropy with colonialism and a centuries-old mindset of white saviors coming to the rescue of the marginalized and unenlightened. In Canada, *Decolonizing Wealth* raised fundamental questions among many in the nonprofit sector about the role of philanthropy in our society, and how it should evolve to be a better, more equitable and effective force of good for the future. But do Canadians – including those within the sector itself – really understand how charitable foundations work, how many billions in assets they are sitting on, and how decisions are made as to who does – and doesn't – get funding?

John Hallward: What we found out is that a lot of Canadians don't understand how foundations work. Many people within the sector don't understand the difference between a charity versus a foundation or a private versus a public foundation. So, you know with ignorance comes kind of a lack of action.

Andrew Chunilall: Are we doing enough as foundations? The disbursement quota conversation was at the center of that. And I've been working in the nonprofit sector for a little over 20 years. And I've never seen a more polarizing conversation than both the disbursement quota conversation and then the changes to the non-qualified donee status.

Jean Marc Mangin: Most of our private foundations are family foundations. So a family decided to establish a foundation to give back to society doing the philanthropy together. So they do not have an arms-length relationship with the foundation by definition, they are very close. The families are on the board table.

Mark Blumberg: The charity sector is increasingly looking like our society with a few billionaires and then some wealthy people, and then a little bit of a middle class, and then a lot of poor groups, right? And it's unfortunate, but right now, public and private foundations are holding onto about 130 billion worth of assets. So 130 billion that could be tremendously helpful for operating charities if they had it. But instead the money sitting in private foundations, public foundations, donor advised funds, things like that.

Paulette Senior: Men hold more giving wealth in Canada as individuals. And given corporate leadership diversity gaps that we know exist, men likely hold more philanthropic decision-making power there as well. And giving often reflects the values of the person who's giving, right. So someone who gives, is really giving according to their values and lived experiences.

Liz Liske: If you're truly trying to have trust-based philanthropy and authentic relationships, especially, if you're calling upon Indigenous people to help with where your interest lies, especially when it comes to like climate change or revitalizing Indigenous languages, they're starting to see all the connections and how important those initiatives are that you're gonna have to go in and it's gonna be risky.

Dr. Lourie: I think it's a healthy thing to see some of the younger family members joining Foundation boards that may be a little less formal, maybe a little, feistier in terms of their desire to see things get done, to see action, to be politically active, to be more active in the policy space.

TRANSITION MUSIC

Mary Barroll: According to Philanthropic Foundations Canada, there are over 10,000 public and private foundations working in partnership with 73,000 Canadian charities and other nonprofit and social-purpose organizations. In this episode, we'll be looking at the evolving nature of philanthropy and the changing role of foundations in Canada, both public and private, and how they collectively manage over \$120 billion in assets – and yes, that's billion with a B.

Newsclip: (Hockey Canada clip.....WE Charity Clip (governance focussed))

Mary Barroll: It might seem that the only time Canadians really pay attention to the charitable sector is when scandals hit the headlines, such as with WE Charity or the Hockey Canada Foundation. Outside of these attention-grabbing news stories, do citizens of this country understand such things as the distinction between charities and foundations, or how foundations manage their assets? John Hallward is President of Sector Three Insights, a social enterprise research firm that brings cutting edge research tools from the corporate world to the nonprofit sector. Sector Three Insights published a report in 2021 on what Canadians thought about the charitable sector. Among its key findings: There is a general lack of understanding among Canadians about charitable foundations, and the accumulated wealth they hold. And even more distressing – many within the nonprofit sector itself don't seem to fully understand how foundations work either. Here's John Hallward with more details from his research into Canadians' opinions about charitable foundations.

John Hallward: So we've done a couple different pieces of research. One was with respect to foundations and the accumulated wealth. Now I think well over a hundred billion dollars in investment accounts. And there's not a lot of buzz about that. So what we really want to do is reach out to Canadian voters in a sense across this country to see if one, did they understand?

Are they aware of what the issues are? Because they could be silent because they don't care, or they could be silent because they're not aware. And what we found out is that a lot of Canadians don't understand how foundations work. Many people within the sector don't understand the difference between a charity versus a foundation or a private versus a public foundation. So, you know, with ignorance comes kind of a lack of action or anything. Once informed, and you ask Canadians, how do you feel about foundations, for example, having over 80 to a hundred billion dollars, sitting in their investment assets in perpetuity? Then they say, oh, well if that's the case, that's not good. And how would you feel about requiring them to give more money sooner to make a charitable difference

sooner? They all go, well, yes, that's what we want, so the gist of a lot of our research is kind of around these ideas that the electorate really don't follow and aren't aware of the shortcomings. And once they are informed, they are actually quite strong minded about what they want. And to me, I think that is actually kind of key to policymakers and elected officials, is that they need to appreciate that the electorate actually wants more to be done.

Mary Barroll: We'll hear more from John Hallward later in this episode. But first, with billions of dollars under the management of Canadian foundations at stake, we thought it was worth going back to basics and clear up the confusion about exactly what foundations are, how they differ from charities, and what the difference is between public and private foundations. To do this, we went directly to the source. On the public side is Andrew Chunilall, CEO of Community Foundations of Canada, or CFC, the national leadership organization for Canada's over 200 local community foundations.

Andrew Chunilall: Maybe it's best to start with the legal differentiation. But that's just the beginning point. The boards of public foundations operate at arm's length, meaning that the people on those boards, as an example, aren't related by blood. Whereas in private foundations, those boards are not at arm's length. It sort of starts there, but the differences move on. So private foundations typically receive their wealth in one or a few transactions from the person that created the wealth and created the foundation. And so they're typically not fundraising organizations. Whereas public foundations are community foundations, they are actively in the space of building more financial capital. And you will see that community foundations as an example will grow in asset size over time because of that. And then community foundations or public foundations typically have a higher degree of transparency and engagement with the public. And that's not to say that that doesn't happen in private philanthropy, but it's not their modus operandi. So those are some of the key distinctions between the two.

Mary Barroll: To get an understanding of how private foundations operate, I spoke with Jean-Marc Mangin - President & CEO, Philanthropic Foundations Canada, a network of grant making organizations.

Jean Marc Mangin: In terms of membership, we have about 135 foundations that are members of PFC, of this network. They represent roughly 50% of all assets managed by foundations in this country.

Most of our members are private foundations, but we do have an increasing number of public foundation as members. And most of our private foundations are family foundations. So a family decided to establish a foundation to give back to society during the philanthropy together. So they do not have an arms-length relationship with the foundation by definition, they are very close. The families

are on the board table. They may have a few external members, but it's considered a private foundation. A public foundation, and those that can demonstrate an arm's length relationship with the foundation. So they do not have a kind of personal relationship. Both private and public have to support charitable purposes. In terms of governance, there's a difference between private and public. And that's why we welcome both types of foundations as members of PFC.

Transition music

Don: The “Minimum Annual Disbursement Quota,” or DQ as it is sometimes called, is a percentage set by the Canada Revenue Agency for the base amount a registered charity must spend each year on either its own charitable programs, or on endowments to qualified donees. In 2004, lobbying efforts from foundations contributed to a lowering of the disbursement quota from 4.5% to 3.5%, where it remained for a number of years. More recently, lobbying by the nonprofit sector resulted in the CRA increasing the DQ to 5%; however, the Canada Revenue Agency may consider requests from charities to reduce their disbursement quota obligations for a specific year. Around the same time, the government also introduced new regulations that allow granting to non-qualified donees, a much-anticipated change that was originally part of Senator Ratna Omidvar’s Bill S-216, the essence of which was passed into law under another Bill that was discussed on a previous episode of this podcast. According to Philanthropic Foundations Canada, this change will likely mean that such grants to non-qualified donees can be included as part of a charity’s disbursement quota.

Mary Barroll: The disbursement quota is the minimum percentage of funds – currently 5% -- that is required to be disbursed by a foundation towards a charitable purpose each year. Many people involved with the nonprofit sector feel that too many foundations are simply not disbursing enough funds to meet the more urgent needs our society faces today. One of those voices critical of some foundations is Mark Blumberg, a nonprofit and charity law expert with the law firm Blumbergs Professional Corporation. One of his key areas of concern is the accumulation of vast resources controlled by just a few charitable foundations.

Mark Blumberg: The charity sector’s increasingly looking like our society with a few billionaires and then some wealthy people, and then a little bit of a middle class, and then a lot of poor groups, right? And it's unfortunate, but right now, public and private foundations are holding onto about 130 billion worth of assets. So 130 billion that could be tremendously helpful for operating charities if they had it. But instead the money sitting in private foundations, public foundations, donor advised funds, things like

that, huge tax incentives are being given to people to put money into them. And very little is actually coming out in some cases to actually go to operating charities who are actually helping beneficiaries. So I think that was a big issue that was a problem. And I think there's also a perception beyond just this accumulation of resources, but that wealthy people are using charities for their own ends that are sometimes not aligned with what is necessarily the public benefit or whatever the case may be.

Mary Barroll: While the recent lobbying by the nonprofit sector for an increase in the disbursement quota for charitable foundations was successful, the effort was led by a relatively small group of individual advocates, as John Hallward explains.

John Hallward: The disbursement quota, the qualified donee, change in regulations there, those in my humble opinion, have come from a few individuals pushing hard, so you get Senator Ratna Omidvar very much pushing hard for that change in direction and control of qualified donees. Myself and many others, a group of more individuals, I suppose making noise and bringing to attention of the government, the disbursement quota and the need to advocate and to change that.

John Hallward: The sector has a lot of different leadership organizations, it's quite a kind of open source platform, there is no one overall thing like the medical association for doctors or the bar for lawyers. There are many different organizations that have leadership type roles. Some more sectoral, others more grassroots, something like CanadaHelps with that represents 20,000 charities, very much grassroots. None of them have a specific mandate to be leadership, and none of them have the governance to be a peak organization.

But I think it's a combination of all of that that allows anyone to come forward and do something. Now, of course, the challenge is collaboration and cooperation, and it's not a natural phenomenon. And it takes a lot of hard work, in part because we're human and humans have their self-interest and each foundation, each board, each organization has its agenda and its way of being. So to collaborate and to give and to give up with others is not natural.

Mary Barroll: Mark Blumberg also believes that individuals and small groups can make a big difference when it comes to changing the way foundations operate, as they do outside of Canada. In addition, he sees serious gaps in sector advocacy on the national stage in this country.

Mark Blumberg: At the federal level, I would say that we don't have good advocacy going on on a number of different levels. I would say that our umbrella organizations tend to be quite weak and sometimes captured by small interest groups and things like that. I mean, I think the discussion around the disbursement quota was an example. If you ask an average charity there's 130 billion sitting in private foundations. So do you want that to be dribbled out in three and a half percent or do you think it should be five, or do you think it should be seven when the national umbrella organization doesn't take a position in favour of that change until after the consultation is over and beyond the time that anyone could put in any consultation material, I think that then it indicates that the sector's umbrella organizations sometimes are, and by the way, not all did this, but some did they're completely out of touch with what the needs of the sector are and that's unfortunate. So I would say it's not so much gaps as probably we need to do a rethinking, have completely different organizations involved. And I've seen examples in some other countries where small advocacy groups, two, three people can achieve huge amounts. Where they have a consistency of purpose, where they're not just jumping around at which funder's gonna fund us this week or this year, so therefore we're gonna prioritize whatever that funder wants.

Mary Barroll: For Mark Blumberg, a stronger voice for the charitable sector is vital when it comes to competing for government attention with the larger, more politically connected foundations.

Mark Blumberg: I'll tell you a little secret that I think, you know, ~~but~~ the large foundations that have a lot of assets, they have more money to grant to spend on what they want. They can hire professional fundraisers and professional lobbyists. They can do all sorts of things. And so I never feel like their voice is not gonna be heard. And what I saw, for example, in the disbursement quota debate, it felt like certain very narrow interests, their perspectives were given a lot more voice, and so I think that there doesn't have to be any changes we can keep on going on the path we're at, with the decline in the public trust, just increasing with increasing challenges. Or we could say, maybe we need to make a change. Maybe we need to do something differently.

Having better organizations at the national level and also provincial, although in some provinces there are better groups I think will be helpful. So I think it's very doable. But right now I think the umbrella organizations seem at times to be very comfortable with certain solutions that are very comfortable for large foundations and certain groups that are quite powerful and they aren't sometimes as comfortable making suggestions for changes that would be more beneficial to, for example, small charities and things like that.

Mary Barroll: The need to pass legislation that mandates an increase in the disbursement quota raises a basic question: why are some foundations reluctant to spend beyond the minimum government requirements? To find out more, I first turned to Jean-Marc Mangin of Philanthropic Foundations Canada, whose 135 member organizations represent roughly 50% of all assets managed by foundations in this country.

Jean Marc Mangin: If we look over a 20 year period, our analysis showed that 5% is about as high as we can go and still have a reasonable pathway, not an ironclad guarantee, but reasonable pathway that for foundations that want to protect the endowment and prevent significant erosion to that endowment, it's still possible to do over the long term.

Jean Marc Mangin: Many foundations want to be here for the long-term. They either support an issue like climate or support an issue on childcare, where you know that to move the dial will take a long time. They need to be engaged for a very long time to make a difference. So the ability to be there over a 20, 25, 40 year period is a consideration in the foundation choices, yes, they want to be as generous as possible, but they want to maintain the capacity to be there over the long-term period. And again, foundation are one of the only entities that can think long-term like this. With government you have elections every four or five years, private sector firms, you have stakeholder, you have your quarterly reports that you need to demonstrate results. So the ability to think long-term recognizing the urgencies of now that there are real problems now to do as much as we can. So we make conclusion of that, that we need more philanthropy, not less, that the needs are so great, that we need more donors from individual Canadians, but also more foundations, because there are range of causes and the needs that currently exist, they could easily absorb.

Mary Barroll: The question of doing more now, or holding onto assets as part of a long-term strategy of giving over time, is also a topic of debate in the public foundation community. Andrew Chunilall of Community Foundations of Canada, notes that market forces and investment returns impact granting decisions more than legislation does.

Andrew Chunilall: We've certainly had a lot of conversation around this in the last few years. Definitely sparked by the pandemic, but they were in the water system before. And that is, are we doing enough as foundations? The disbursement quota conversation was at the center of that. And I've been working in the nonprofit sector for a little over 20 years. And I've never seen a more polarizing conversation than both the disbursement quota conversation and then the changes to the non-qualified donee status.

And it was a conversation that was long overdue. Now, here's the thing the disbursement quota was three and a half percent, and the new legislation has brought it up to five. When we looked at the data, as an example for community foundations, typically, you know, and there's 205 community foundations, so there's some variability here, but typically community foundations were already granting at 5% and above in many cases, because our granting is not a function of the legislative requirement. Our granting is a function of investment returns. So the higher the investment returns that we can achieve, typically you will see a higher granting level. And the opposite is true. So our granting is a function of market returns, which is a good thing because we've been granting at higher levels in the disbursement quota.

Mary Barroll: The ability to hold and build capital, while only being required to disperse a small amount of those assets towards the public good that ostensibly they are in support of, creates enormous financial advantages for foundations, according to John Hallward of sector three insights.

John Hallward: There's no income tax, there's no capital gains tax, there's no taxes at all on, on what they're doing. If you look at, in the last 15 years when these foundations amassed all of this huge potential, if you weren't earning way over 10% in real growth with very low inflation, then you had something wrong with your money managers. So then why is it that during that same time their disbursements actually decreased as percent of assets? And it has, not only has their wealth gone up, but percentage of their wealth that they're giving away has been going down during this boom cycle.

And our need is there. We have a growing charity need because we have growing population, we have immigrants and, right now we have recession, et cetera, inflation, that we have this huge growing charity gap. And yet these guys have voluntarily chosen to amass wealth. And I do know, some stepped up in Covid until 2020, others closed, literally saying, as of now, for the rest of the year, no more grant requests because we can't give more because we did, we needed the capital. And it's like, okay, so you are prioritizing preservation of capital ahead of being charitable. And you know, some people say that it's important to have this piggy bank for a rainy day when the roof leaks, if there's ever a year, 2020 was that rainy day and that leaky roof, and very few stepped up.

Mary Barroll: Sometimes foundations do give away significant amounts, but if you ask charity and nonprofit lawyer Mark Blumberg, it's not always going to groups that need it the most.

Mark Blumberg: You have some groups getting huge amounts of money, like you would not believe the amounts of money, like sometimes 10 times more than what they got before. And then you have other

groups getting less money, much less money. And honestly, a lot of the money is not always going to, you know, groups that really need the money. We have more very wealthy charities, very well off charities, and then you have a lot of charities that are running on fumes basically. And that's unfortunate and that's not a fair way that the charity sector's running. But I would say it's not that different than our society. We have a big problem of some very wealthy people versus increasing number of people who are poor.

Transition music

Mary Barroll: The question of whether foundations are doing enough with their vast resources isn't always a matter of examining percentages and returns on investment. As Mark Blumberg noted, simply increasing grants to the same recipients instead of considering *where* those funds might be better spent will do little for communities who are traditionally underserved by the sector. Someone who understands this problem well is Paulette Senior of the Canadian Women's Foundation. For her, legislative changes like the increase in the disbursement quota is only a first step towards addressing issues like gender equity and violence against women and the underfunding of Indigenous and Black-led organizations.

Paulette Senior: Well, I think it's a beginning, and it's no surprise that I would think that there are definitely systemic barriers that exist. A 30-year analysis of giving patterns finds that more than 60% of these charitable dollars go to health and hospitals, which you know is always in need of funds, not just for the running of the hospital, but also for research. We also know it also goes to religious causes, as well as, international work. Most of those dollars though are likely not earmarked for domestic gender equality matters and there's some reasons for that. There are myths around prosperity. So for example Canada as we know is a well-resourced country but of course not everyone experiences that kind of abundance that the myths sort of propagates and gender pay gaps especially those by racialized women, women with disabilities, and newcomers illustrate this very clearly. And part of the myth around gender pay gaps is that it doesn't exist. Well, we know it does, and we also know it's stratified. And that we know, for example, when it comes to Indigenous women or Black and racialized women, that gap is significantly wider. And even now, women's wages are not rising to match mounting inflation that we're living in at the moment, which worsens the high levels of poverty. They're also not just myths, but also illusions of relative safety. So gender-based violence is still prevalent in Canada. Already it is too high as a baseline, and we have seen it spiked during the pandemic.

And pervasive violence against women, girls, and gender diverse people, they continue to be an under-recognized state of emergency in Canada and around the world. So it's this kind of silent pandemic that continues to happen under the radar. But when you work in the sector, we actually see the results based on the folks that we're serving in communities across the country.

Mary Barroll: As we've explored in previous episodes, many believe that a lack of diversity – including gender imbalance – at the top levels of foundations and charities creates a disconnect between leadership and those who would benefit the most from philanthropic support. Here's Paulette Senior with her thoughts on who makes the decisions when it comes to large donors.

Paulette Senior: Men hold more giving wealth in Canada as individuals. And given corporate leadership diversity gaps that we know exist, men likely hold more philanthropic decision-making power there as well. And giving often reflects the values of the person who's giving, so someone who gives, is really giving according to their values and lived experiences.

And so the disbursement quota changes that we see can be helpful. It's a beginning, but doing that alone will likely not rectify even the disproportionate giving to under supported causes and communities. And so we need other solutions that will also help include building gender measures into corporate giving and ESG programs that we know are important for the corporate sector and workplace government giving policies that actively reward giving to under-supported causes and groups.

Mary Barroll: Some people in the nonprofit sector believe that a new, more inclusive approach for foundations could be built on what is called trust-based philanthropy, a movement towards mutual accountability in a renewed sector that reflects the needs and aspirations of diverse communities. According to proponents for trust-based philanthropy, to make that happen funders would need to take risks, change their mindsets and build relationships to reach those who would benefit the most from a more targeted style of philanthropy. To explain this concept in more detail is Liz Liske, director of the Arctic Funders Collaborative, a small philanthropic network that works collaboratively to help Arctic communities, cultures and ecosystems thrive.

Liz Liske: I think their head isn't in the right place, but then actually practicing it is I think where the risks need to be taken. I was part of a conference and there was a presentation talking about a lot of the projects and initiatives that funders are interested in the old thought and idea when it comes to settler philanthropy was there's always gonna be that end goal. There's gonna be like a deliverable. And that's

sort of how settler philanthropy mind works when it comes out. Like, I give you money, you give me a product, you give me a deliverable. if you're truly trying to have, trust-based philanthropy and authentic relationships, especially if you're calling upon Indigenous people to help with where your interest lies, especially when it comes to like climate change or revitalizing Indigenous languages, they're starting to see like all the connections and how important those initiatives are that you're gonna have to go in and it's gonna be risky.

It's gonna be risky in the sense that the way that the community needs to work is that it might not follow the year timeline that you have in your head. And that you're gonna have to be okay with that, however long a project takes, you're gonna have to trust that process. You might even have to trust that the deliverable that they said that they might make, that it might be different. So I think essentially that's what trust-based philanthropy is, is you can get an idea of what the community wants to do, but at the end of I think your time and your relationship together things might change over time. And I think that's another big piece about the giving part is that it's also, it's also attached to relationship.

And that, you know, transactional relationships are short. The best way that I can describe it is that it's a cold relationship. And if you're doing the opposite of those things, it's like you're having that continued dialogue, you're getting to know the community, you're getting to know the people, and then you're building that trust.

News clips

Don: In late 2022, Canada's sixth oldest private family foundation, the Ivey Foundation, announced that it would be winding up its operations and distributing its full \$100 million endowment by the end of 2027. In a news release, the foundation stated that its board of directors had reached this decision based on the recognition that.

quote, “foundations need not continue in perpetuity for perpetuity's sake . . . there is a strong argument that their philanthropic resources can, and in some cases should, be fully utilized for the most critical issues we face today,” end quote.

The Ivey Foundation’s decision appeared to reflect a growing movement, in both Canada and the U.S., for foundations to engage in what is termed “spending down.”

Simply put, this refers to reversing the traditional approach that many in the charitable sector take of distributing just a small percentage of their endowment each year, while retaining most of their holdings to ensure long-term growth and stability.

The news release went on to explain the outcome hoped for by this dramatic move, noting that the Ivey Foundation wished to inspire other private funders to join the growing ranks of those with increased disbursement quotas and limited life terms.

Mary Barroll: This momentous decision is literally existential for the Ivey Foundation, which was established as a private charitable organization back in the 1940s. But will it actually influence other foundations, especially as “spending down” flies in the face of the traditional approach to philanthropy in Canada? We asked Dr. Bruce Lourie, President of the Ivey Foundation what led to the decision to spend down and wind up the foundation in 5 years. Although the Ivey Foundation’s mission has evolved over time, much of Dr. Lourie’s work with the foundation is centered on his leadership and expertise in the areas of climate change, and the funding of net-zero focused organizations such as the Canadian Climate Institute, and Farmers for Climate Solutions.

Dr. Lourie: We're one of the older foundations in Canada. It was founded over 75 years ago now by, of course, the Ivey family based out of London, Ontario. And I think with a lot of foundations then, the focus was much more traditional philanthropy and much more local in the Southwest Ontario and London communities. So, of course, most people will be familiar with the Ivey Business School at Western University. And if you're in London, you'll see the Ivey name on a number of health facilities. I think the Ivey family and the Ivey board is very proud of the idea of a foundation evolving with the times. And so over the years, the foundation evolved to take on some very specific programming. In fact, one of the first foundations in the country to focus on environmental issues, around nature conservation, a big nature focus for many, many years. And that really led to, I think, our interest in looking at energy transition as the next big environmental challenge that the country's facing.

Mary Barroll: The climate crisis, a global pandemic – these were some of the factors that led to calls within the sector for increases to the disbursement quota and a re-evaluation of how foundations address the more immediate and urgent problems our country – and our world – is facing. For Dr. Lourie, the reluctance of some organizations to spend beyond the absolute minimum per year serves their own interests more than the public good, and is at odds with the more responsive role he sees for foundations.

Dr. Lourie: So, Canada, for some reason, for many years, was giving much less money to charity than we should have been.

Behind that, my sense was there was a motivation from some very large foundations that they really just wanted to hold on to their money and were for some reason fearful that they wouldn't be able to continue to disperse at higher than three and a half percent because of market returns. And, if you're a foundation with even, I think, a modest capability of managing your finances. you should be able to make an annual return of well over 5% on average over say a 20 year period. I think most of those arguments are not accurate. And so when we made the jump back up to 5% a little bit more than where we were, 4.5%, I think that was clearly the right thing to do. I think the role of course, for philanthropy is to get money out the door into the hands of people that need it. And so, you know, arguably it could have been 6%, maybe, but I think just meeting global norms, 5%, and you look at if you look at averaging of markets is probably a pretty good number to land on. Of course, if you're a foundation that is working on very urgent issues, or if you're a foundation as more and more we're seeing today, recognize that it's becoming a sort of a tough argument to imagine that it makes sense for a very wealthy family to be controlling what is now very, very large amounts of money. We're seeing more and more billion dollar foundations in Canada and of course in the U.S. foundations in the tens of billions of dollars. And so what I think a lot of people don't realize is that half of that money is essentially money that would have gone into public funding through governments, through taxation. And so really what we're doing is the direction of that money is being decided by wealthy families. And I think that's really what we need to start to question is, who is making the decisions and what are they supporting? And would that be something that society at large would want to be supporting because of course, boards of family foundations aren't elected or necessarily representative of society.

Mary Barroll: To be clear, Dr. Lourie doesn't feel every private foundation should be spending down and winding up its operations – as the Ivey Foundation is doing -- in order to create maximum impact right now. But he would like to see more organizations considering it.

Dr. Lourie: That sort of the crux of one conversation about whether, foundation assets should be in perpetuity or whether, whether they should be spent down on a more rapid timeline. And so if you imagine that in some cases, and you know, I think this argument has been made that wealth generation has helped contribute to some of the problems that we're seeing today. And so if the generation of that wealth is causing these problems, then maybe that wealth should be used to solve those problems

today, rather than amass a huge amount of capital and then dribble it out in little bits over, you know, the next century.

Frankly, I think my view would be, it would be great to have a combination of those things. I think philanthropy, although we've made the decision of the Ivey Foundation to wind up our operations and spend down our endowment, we don't necessarily believe that that's something everyone should do or needs to do. It's very much a decision that we came to over many years of consideration. But I think reflecting on it, it would probably be more helpful for society if a larger number of foundations decided to spend down while other foundations decided to operate in perpetuity, because it does give you a different sense of how you work when you think about an immediate problem versus trying to think about the long term. And one of the problems we do have in society is there aren't very many organizations that think about the long term.

Mary Barroll: As it turns out, increased disbursement quotas have also been top of mind for the McConnell Foundation, which celebrated 20 years of work in reconciliation and collaboration with its Indigenous partners this past spring. To mark this milestone, the foundation is committing \$30M in capital transfers to community-focused, Indigenous-led foundations. In a press release, the McConnell Foundation makes clear that this decision is, quote, “an opportunity to shift resources and decision-making into the hands of the people best placed to support Indigenous communities coast to coast to coast. The commitment we are announcing today builds on our learning from working with our partners and is part of our journey to make our work more transparent, accessible and equitable”.

Each of our guests in this episode is a leading voice in the nonprofit sector, and each, to varying degrees, would like to see philanthropy in Canada adapt to the changing world around it. So, how would they reimagine foundations and the important role they can play in helping those who need it most? Andrew Chunilall of Community Foundations of Canada would start by replacing “reimagine” with a stronger word.

Andrew Chunilall: We use the term transformation. And a lot of people will ask me, what does that really mean, Andrew? And it's not about changing laws or policies or even retooling in a first instance. Transformation really is about changing the way that we think. And that is work that can't be done overnight. It's slow by nature. Like we've spent thousand years getting here and we've realized we're not doing right by climate, we're not doing right by equity seeking groups. We understand that. But the true change will come from our alternative ways of thinking. And then that in turn will, will then help us

to create new tools, which will then help us to have different types of institutions, the leadership and governance.

Mary Barroll: Although Jean-Marc Mangin of Philanthropic Foundations of Canada believes in long-term thinking when it comes to the impact the mostly private organizations he represents can make, he doesn't feel those goals preclude embracing change when it's needed.

Jean Marc Mangin: That's a strength of being the independence of foundation. If you want to change, there's little that stops you from changing. That the ability to take more risk is a great strength of philanthropy. And I see the network as a source of social risk capital for this country and wish other entity exists that can take these risks, can possibly fail, but learn from the failures and still continue. If the program you support does not work, it does not mean your foundation closes its door in the future, which would be the case for your business, in the government you would lose office. In this case you're able to integrate that learning, share that learning of both failures and successes, and build on that. So I think this appetite for risk taking is a very important part of foundation work. Possibly we could do more in that kind of risk taking space.

And that's kind of engaging some of our members is to kind of the approach to risk management and within your portfolio, where's the risky part of your portfolio and what kind of bets are you making on that? And to make some conscious choices. Yes, you can have part of the more traditional programming that you know what are you gonna get. This way you don't really know what you're gonna get but it's an important role of philanthropy.

Mary Barroll: John Hallward of Sector Three Insights has a suggestion about a tiered system that would offer greater tax credits based on the needs being addressed in a specific community. Here's John to explain.

John Hallward: For all of our money that we could give to any charity, we all get the same charity tax credit. It doesn't matter which charity we give to it, as long as it's a registered charity, we get a charity tax credit. But clearly not all missions are equal to society. In our research, we've asked Canadians, to have them rank the importance of different charitable missions in terms of most important to their community. And there are clearly are some missions that are more important than other missions, but \$200 donation to any one of them is exactly the same. That's just not how the electorate wants it. It's just not how it is. So we should have a tiered system. Certain missions are more important and you get a bigger charity tax credit, others are less important. You get a lower charity tax credit. And that's not a

crazy idea because we already have a two-tiered system in Canada that if I give \$200 to a political party, I get a higher charity tax credit for the \$200 to a political party than if I donated the same \$200 to a shelter, a homeless shelter or food bank, right? So we already have a two-tiered system, unfortunately the only ones in the top tier are our political national parties.

Mary Barroll: Liz Liske of Arctic Funders Collaborative believes philanthropy can better support the important work of reconciliation with Indigenous peoples in this country. But it has to start with respect.

Liz Liske: An example that I think of is traveling. So when you're traveling to a different country, I kind of like to use China as an example. Everybody in China speaks Chinese. And when you're gonna visit that country, as like a tourist, you kind of have no choice but to try to learn their language, learn their culture so that you're not breaking any laws, so that you can communicate a little bit, from my Indigenous perspective, in Canada, like make the example a little bit smaller, you know, our settler friends and people don't go to those lengths to respect us. Are you learning our language? Are you learning our culture and our laws to make sure that you're not disrespecting us? So that's how I see you can better support that reconciliation.

Mary Barroll: When it comes to issuing grants, Paulette Senior of the Canadian Women's Foundation has some best practices to share and advice to give for other foundations to help them be more equitable in terms of not only the distribution of their funds, but also in the application process for organizations to receive them.

Paulette Senior: Maybe I can just share a couple points with respect to how we've managed to address a gap that we see, specifically you look at rural and remote communities. So with that example, we're really strong in being able to fund organizations within urban centers. That has not been a challenge for us. We're certainly oversubscribed in terms of applications from urban centers, but it wasn't the case when it came to communities across the north, the territory specifically, but also, communities that were in rural and remote communities. And so, we've actually paid specific attention to accessing resources that we can then fund organizations in more rural and urban as well as northern communities.

And so that's really been very helpful for us because what we realized is that the application process that we had in place was itself a barrier to those organizations applying for the funds. And so, we took stock of what it is that was getting in the way when we can't even get one or two grant applications from the north, for example. And so we created a different way of going about that work because we are national in scope, but if we are not able to reach rural and remote communities, then we're failing in

that endeavor. And so we partnered with an organization across the north, and then we hired staff from the community who could then sort of work with community directly and specifically to identify initiatives, community initiatives that were needed within that community.

A good example of that success has been the creation of a doula program. You know, establishing a doula program in the north so that women who are expecting didn't always have to come south in order to get the support they needed during their pregnancy.

Mary Barroll: When it comes to philanthropy in Canada, is less regulation always desirable? Mark Blumberg of charity law firm Blumbergs believes that removing bureaucratic hurdles in the sector shouldn't be equated with deregulation.

Mark Blumberg: I think we need to realize that deregulation and less regulation isn't always a good thing. If you said to the automakers, we are not gonna have any regulation on cars. You know, what you're gonna get, you're probably in, in a few years gonna get less safe cars, you're gonna get less environmentally friendly cars and things like that, it's not that hard to work that out. If you have deregulation of the charity sector, and we've had some of it in Canada, you're gonna get some people acting in ways that are really problematic, but they might even be legal and that's not good. I think the way to prevent that is to make sure that we have appropriate regulation. That means sometimes it's more regulation of certain things, and sometimes if something's anachronistic or not needed, then we can maybe dispense with that. I can see all sorts of ways we can make things less bureaucratic, but I also think that if we don't have some baseline rules for what a charity is and that they're enforced, we're going to have this continuation of the lack of public trust and all the negatives that go along with that. So I'm hoping that there will be a more balanced approach, not just deregulation is good, but in fact, having an appropriately regulated sector, and especially in light of the huge amounts of money and the large number of vulnerable beneficiaries they're dealing with, I think it's important to have that. And, and who knows, maybe I haven't seen it in the last 10 or 20 years, but maybe it'll happen, over the next 10 or 20 years.

Mary Barroll: Dr. Bruce Lourie of the Ivey Foundation is already seeing a shift in thinking among foundations, as other organizations have reached out to learn more about the Ivey foundation's decision to spend down and cease operations in a few years. But it may take a generational change before the sector can truly transform itself to meet the challenges facing society today.

Dr. Lourie: We're already getting calls from people and having conversations with other foundations in Canada. None that have called up and said, wow, yeah, we're gonna spend down too. But certainly there is a conversation I think around, and we're starting to see some evidence of foundations taking money out of their endowments and either moving those to other, I know in the case of, helping build Indigenous-led endowments, so foundations taking capital out of their endowments to do that. And other foundations that are not just foundations, some wealthy individuals that are deciding not to create foundations but just want to spend their money while they're still alive and have the maximum impact. So I think, it's probably not going to change the overall landscape of philanthropy in Canada too much, but I think there will be a number of people that will not only do I think, I know that there are foundations in Canada that I've talked to that have been inspired and motivated somewhat by our decision.

I think it's a healthy thing to see some of the younger family members joining Foundation boards that may be a little less formal, a little less, maybe a little feistier in terms of their desire to see things get done, to see action, to be politically active, to be more active in the policy space. And of course, there's no reason why foundations can't get more active in policy research, policy development, and policy advocacy. And Canadian philanthropy has been quite timid in that respect. And I think we really need to see more action-oriented philanthropy in Canada.

Transition music

Mary Barroll: Earlier this year, an opinion piece by Lisa Wolverton of The Philanthropy Workshop Canada was published in the Globe and Mail. In the article, Ms. Wolverton cites the extraordinary steps taken by The Ivey Foundation, which we highlighted earlier in this podcast, to distribute its full \$100-million endowment over the next five years. What impressed her the most was the foundation's willingness to create maximum impact over a relatively short time period to address climate change and advance Canada's low-carbon economy.

This "spending down" movement may be gaining momentum in both Canada and the U.S., but it will still come up against a wall of caution in the charitable sector in Canada, where public and private foundations, in 2020, held over \$120 billion in assets but released only about \$8-billion in grants.

As our guests from public and private foundations explained, large charities prefer to hang on to their assets as long-term investments. The aim is not necessarily to be overly frugal, but to ensure resources

will be available in the years to come. But as the Globe opinion piece notes, what was considered prudent in the past may today be limiting charities from carrying out their main purpose: to put capital in action and fulfil their missions for those who need it most.

“A mindset of strength and abundance rather than a mindset of fear,” is how Ms. Wolverton envisions the philanthropic sector in 2023. The question is, who is ready to meet that challenge – today?”

I’d like to thank our guests for joining us and sharing their valuable insights on the changing nature of philanthropy. Be sure to visit our website for more information on the resources mentioned in this episode and for show notes on this and other topics. If you’d like to learn more about the CharityVillage DEI online courses mentioned earlier in this episode, please visit our website charityvillage.com where you’ll also find the complete video interviews with our guests from this episode. Charity Village is proud to be the Canadian source for nonprofit news, employment services, crowdfunding, e-learning, HR resources and tools, and so much more. Visit us today at charityvillage.com.

On the next CharityVillage Connects podcast:

With Canadian nonprofits notoriously slow when it comes to investing in new technology, will they be left behind when it comes to the new Artificial Intelligence tools that are poised to revolutionize our world? In the next episode of CharityVillage Connects, we’ll take a hard look at the benefits AI has to offer nonprofit organizations, as well as its potential drawbacks. Is there a responsible way to harness the power of AI for social good? And is the sector ready for yet another challenge to the way it traditionally operates?

AI and Nonprofits, next time on Charity Village Connects.

I’m Mary Barroll. Thanks for listening.