Intersections and Innovations

Change for Canada's Voluntary and Nonprofit Sector

The Muttart Foundation

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The Muttart Foundation

Acknowledgements

For far too long, Canada has lacked a comprehensive resource examining Canada's charitable sector. That has now ended.

The Muttart Foundation has spent many years focusing on building the capacity of charities in this country. The publication of this collection is another contribution to that effort. By understanding more about itself, the sector can continue to develop and find new ways to serve Canadians and those in need outside our nation.

The authors of these essays bring different perspectives on the role and inner workings of Canada's charities. Collectively, they bring an unprecedented insight into the work of organizations whose diversity is exceeded only by their desire to serve.

It is difficult to express adequate appreciation to Dr. Susan Phillips of Carleton University for her leadership of this project. She has been a source of encouragement, persuasion, cajoling and improving authors from across the country. Her efforts now bear fruit as we make this material available to students, academics, practitioners and others interested in the history and future of Canada's charities.

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The work of all of these individuals has come together in this resource which we dedicate to all of those in, or interested in, Canada's charitable sector.

Malcolm Burrows, President

Bob Wyatt, Executive Director

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Part III Innovation and Intersections

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Intersections with Governments: Services and Policy Engagement

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The Muttart Foundation

Community and Corporate Intersections

Chapter 22

Community Foundations in Canada: Survive, or Thrive?

(with apologies to lawn bowlers)

Kevin McCort, Vancouver Foundation
Susan D. Phillips, Carleton University

The popular image of lawn bowling is of beautifully manicured grounds, polite players – admittedly a bit older – and a staid, relaxed pace of play. The weather is always sunny, as lawn bowlers simply don't play in adverse conditions. On days when there are no games, the grounds and clubhouse are idle, waiting for the sun and players to return. Since most lawn bowling clubs were established many years ago, they often occupy some of the best land in the city, with rising property values creating tremendous wealth on the clubs' balance sheets. Observers often wonder if an exclusive club, sitting on a valuable asset that is used only a few times a year by a small group of people, is still the best use of this community amenity.

This may or may not be how lawn bowlers see themselves, but non-bowlers seem quite attached to this stereotype. With apologies to those who love lawn bowling, this chapter draws parallels between the world of community foundations and the widely held image of the game to enable reflection on how community foundations may appear to outsiders. Indeed, if you were to substitute "community foundation" or "endowment" in place of "lawn bowling" above, you would have a common parody of the old, conservative, rarely seen, grantmaking foundation. It is our hope that this chapter will provide insight that community foundations and lawn bowling communities may find useful to ensure both continue to thrive in our communities and attract new players, fans, and adherents well into the future.

The Argument

In recent years, community foundations have boomed in Canada, growing in number and assets and experimenting with new forms of community leadership. But, in a rapidly changing environment, they must not be complacent in the face of new challenges and risks. This chapter assesses these challenges and argues that, in order to thrive, Canadian community foundations need to:

- embrace stronger roles in community leadership, including broadening their definition of "community" and being more inclusive, developing and working through networks, and using their knowledge of community to become more active agenda setters;
- use all of their assets and capacities for impact; be more creative in their grantmaking and engage with other forms of community philanthropy;
- understand the competition from banks and related "commercial" sponsors of donor-advised funds (DAFs); address concerns about perpetuity of endowments and transparency of the use of private wealth; and
- better connect with the next generation of donors and new donors of all ages.

Many community foundation leaders will find this to be a challenging list, and given the reality that there are few existential challenges faced by endowed organizations, some may be tempted to dismiss the ideas or discover that, in the absence of extrinsic motivation, finding the intrinsic drive to change is just too hard to do. It is in this context that the chapter also notes the work of the broader community-foundation network and its members' engagement and support of each other as they find their place on the continuum of passive to active community actors.

The Community Foundation Model

Community foundations are place-based public foundations that create pooled financial resources through donations and serve their communities by grantmaking and other forms of leadership. Often described as "hybrid" organizations, community foundations need to perform several roles simultaneously, as outlined in Figure 1. First, they need to engage donors to attract contributions, which in part depends on their visibility in their communities and their service to prospective donors.

Funds can be held in quite different ways: "unrestricted," with the community foundation having full discretion over the allocations; "field of interest," which are directed toward a particular community need or theme, with the community foundation determining specific allocations within that theme; "designated" toward a particular cause or charity of the donor's choice when the gift is made; or "donor-advised," in which the donor retains ongoing advisory privileges over the disbursements, including which charities, amounts, and timing. DAFs can function as pseudo-private foundations for donors: although managed by the community foundation, it has little influence over the granting, except providing advice when requested by donors. The amounts held as DAFs have grown dramatically in recent years, with the result that many of Canada's larger community foundations hold up to 65% of their total assets as DAFs, not including other types of restricted funds (authors' estimate).

Whatever the form, funds need to be invested and stewarded to produce returns, and increasingly to generate social as well as financial returns in an ethical manner through impact and responsible investing. Most community foundations provide advice, or at least information, to donors about community needs and projects as part of their community service and may be quite active in matchmaking donors to projects, which increasingly is facilitated through digital apps. Perhaps most prominent is the grantmaking function for undesignated funds – from the application process through evaluation of impacts. Serving the community goes beyond grantmaking to involve other types of resources and forms of leadership; for instance, convening other actors (from the public, private, and nonprofit sectors), developing the capacity and leadership of community-based organizations, and engaging in public policy (Suárez, Husted, & Caas, 2018). As public institutions, community foundations are expected to be accountable to their communities through their actions and their leadership. While in narrow regulatory terms this means that 50% of the board must have arm's-length relationships, in broader accountability and credibility terms, it increasingly means having diverse, inclusive boards and community connections, as well as being transparent about their work and their impact.

Figure 1: The Community Foundation Model in Action

Source: Community Foundations of Canada

Development of Community Foundations in Canada

The community foundation model was "invented" in Cleveland, Ohio, in 1914 by a local banker and lawyer, Frederick Goff, who had a vision to "pool the charitable resources of Cleveland's philanthropists, living and dead, into a single, great, and permanent endowment for the betterment of the city" (Cleveland Foundation, 2020). Goff saw the potential for greater efficiency in the management of trusts and the professionalization of grantmaking (Sacks, 2014). The concept was that a number of trusts, some with general and some with dedicated purposes, would be consolidated into a single organization that would exist in perpetuity, with its assets still managed by the banks, governed by a citizen board knowledgeable and responsive to community needs, thus making it easier for the banks to identify worthy recipients of the trust funds. The efficiency of the new philanthropic model came both in relieving the trust banks of the burden of grantmaking (and the need to fill out only one tax return for these multiple component funds) and in the professional management of grantmaking (Sacks, 2014). The idea quickly diffused across the United States so that by the end of the 1920s, community foundations existed in most major American cities. The concept also spread to Canada, again with the central involvement of a banker who helped found the Winnipeg Foundation in 1921. The difference was that the Canadian banker did not view this primarily as an efficient business model; his personal donation of $100,000 was a way of giving back to the community.

Take-up of the model in Canada was slow at first. The second community foundation was established in Victoria in 1936, prompted by the manager of a soup kitchen who believed that a philanthropic organization with stable funding could better serve a wide range of charities, with the support of his mother, who made an initial gift of $20 (wishing she could contribute more); the arrangement was formalized by provincial legislation. Next came Vancouver in 1943, also with a gift: $1,000 from a woman who had saved from her job as a secretary to help homeless women trapped in poverty, which was topped up to more than $100,000 by local philanthropists.

The creation of community foundations continued sporadically until the 1990s, when there was a flurry of new ones across the country, beginning to explicitly think of themselves as a "movement" rather than another version of institutionalized philanthropy. Today there are 191, serving 90% of all Canadians (anticipated to be 100% in the near future), which is more extensive population coverage than in the US (Wu, 2020). The most recent additions to the movement include Eenou-Eeyou in 2015, serving predominantly Cree communities in northern Quebec, and Fort McMurray in 2017, established following the devastating wildfires of the previous summer. Work is underway to establish the Arctic Communities Foundation, which would put the movement at the 100% coverage goal. This milestone does not imply that no further community foundations will be created. For example, the provincial legislation promulgated in 1950 that governs the Vancouver Foundation gave the organization a province-wide mandate – yet British Columbia is home to more than 50 community foundations in as many cities and regions that opted to create local entities that could be closely tailored to the communities' particular priorities and aspirations. The community foundation model – in varied forms – has also taken root in many other countries, with the result that there are now 1,876 worldwide (Community Foundation Atlas, 2020).

A common expression in the community foundation movement is "If you've seen one community foundation, you've seen one community foundation." This saying, in part, reflects the differences in size. The country's largest include the community foundations in Vancouver, Winnipeg, and Calgary, each of which manages more than $1 billion. The next tier, with assets over $200 million (in 2018) are Edmonton, Toronto, Victoria, and Hamilton. Particularly in smaller centres, most community foundations are still fledgling, with assets of under $100,000 and run mainly by volunteers. The saying is also a tribute to the unique attributes communities often assign to themselves, or the specific combination of services that are provided to fundholders or grantees.

Most of the research on community foundations is focused on the US, where a major concern has been the dominance of the role of donor service (Graddy & Wang, 2009), accompanied by an admonishment to become more engaged in community leadership (Bernholz, Fulton, & Kasper, 2005; Hamilton, Parzen, & Brown, 2004; Sloan, 2020). While there are many commonalities in history, form, and function, the community foundation network in Canada has some distinctive features compared to the US and other countries. One legacy of the differing origins of Canadian community foundations has been less of an embedded banking ethos, which, from the very beginning, created greater space for a role in community leadership over a focus on financial management. Perhaps the greatest difference, however, is that Canadian community foundations are supported by a strong national umbrella organization formed more than 25 years ago that has overseen and supported the significant growth in the number of centres. Since 1992, investment in Community Foundations of Canada (CFC) by the larger and more established foundations provided initiatives in new locales with resources, expertise, and allies as they worked to establish foundations. The existence of the umbrella undoubtedly shortened the learning curve for new foundations and enabled the rapid proliferation of foundations across Canada. The national infrastructure in other countries is viewed as more fragmented and less well supported by its members than what exists in Canada, with our cohesive and supportive network viewed with a degree of jealousy by other national movements (Jung, Harrow, & Phillips, 2013).

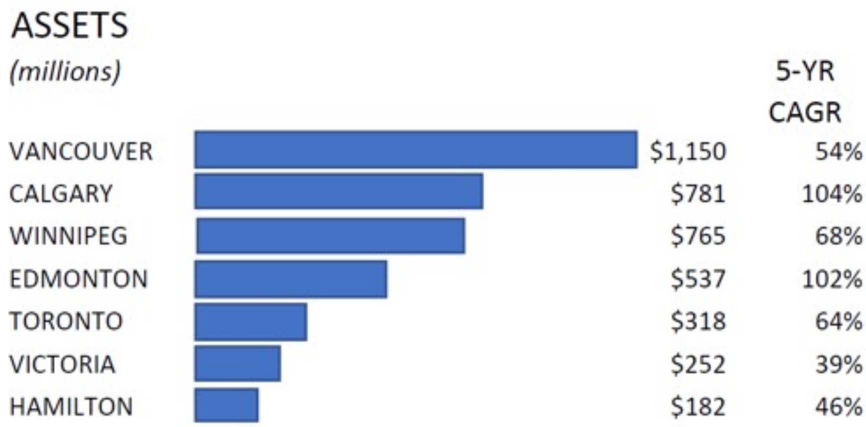
A challenge the authors acknowledge in writing this chapter is that the community foundation movement is evolving rapidly, and we see considerable variation across foundations. Our aim is to identify the underlying dynamics that are leading to adaptation (in some cases) or that, if ignored, will lead to atrophy (in other cases).

Trends: Growth and Constraints

Growth in Assets and Granting

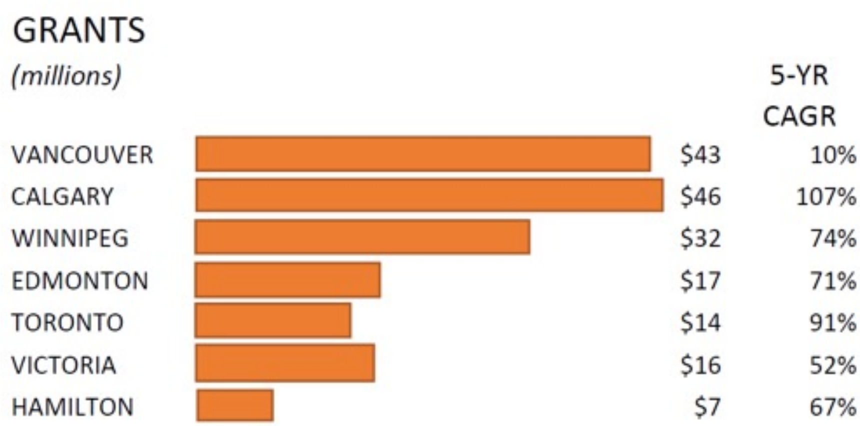
The growth in numbers of community foundations and the simultaneous increase in geographic coverage have been accompanied by marked growth in assets and grantmaking. Community foundations across Canada have benefited from two simultaneous forces. Almost a decade of strong investment returns combined with very substantive intergenerational transfers of wealth from the "civics" and now from the "boomers" has favourably impacted the business model of foundations – based as it is on attracting gifts of assets (as opposed to gifts from income) and investing those resources and disbursing/reinvesting investment returns. A review of the audited financial statements of the seven largest community foundations in Canada (Figure 2) shows these two trends at work – leading to average annual growth rates of assets under management of 68% (with a range of 39% to 104% from 2011 to 2016). A review of grantmaking numbers shows similar overall growth, with an increase in grantmaking over the period of 67% and a range in grantmaking growth over five years from 10% to 107%.

Figure 2: Growth in Assets and Grants 2011–2016



CAGR = compound annual growth rate

Source: Internal working papers, Vancouver Foundation. NB: Assets are as per fiscal year 2016



Source: Internal working papers, Vancouver Foundation. NB: Grants are as per fiscal year 2016

While these trends are visible and paying dividends among many community foundations, a common dilemma is "right-sizing" the organization vis-à-vis the asset base and its ability to generate both granting and administrative revenue. With one or two exceptions, most community foundations start out with a modest endowment and an all-volunteer board. As assets grow, at some point the board will seek to hire their first staff members – and will surely agonize over when is the right time to take that step. It can often be a "chicken and egg" scenario – described as "We're not big enough to hire staff, but without staff we can't grow." Helping smaller community foundations navigate this decision is where the CFC network and the larger community foundations play supportive roles. CFC maintains a "foundation development" practice that provides a wide range of organizational development services to members.[1]
In addition, the expertise of investing and managing the endowments of larger community

foundations such as Vancouver, Victoria, and Winnipeg may also provide "back-office" support for the benefit of many smaller community foundations in their regions or provinces.

The main reason a community foundation wants to grow in the first place is not about the organization; it's about the grants it can deliver to its community. Here again, many find themselves stuck: a small endowment generates modest grantmaking, and modest grantmaking won't capture the attention of community members. This lack of grantmaking visibility may directly dampen potential growth, as those with the means to support the community foundation may not know it exists since it is so rarely seen (like lawn bowlers in winter). Here is another area where the national network has played a useful role in raising the grantmaking capacity and visibility of smaller foundations, with a series of funds developed and secured by CFC that are designed to be distributed via the CFC network. A high-profile example was the "Canada 150" program that matched community grants designed to build a greater sense of belonging through local projects connected to Canada's sesquicentennial (Carlton & Lyons, 2020). More than 3,000 projects across Canada were supported, with $7.5 million in additional grant funding added to money generated by 170 of the CFC members who participated in the program.

The behaviour and spirit behind these initiatives are worth noting. Rather than seeing growth of another community foundation through the lens of a win-lose prism, where your growth means my stagnation, the movement and its members actively encourage and celebrate growth wherever it occurs, viewing it as additionality, and an intrinsic good wherever it occurs. Lawn bowling leagues (and indeed all sports) have long witnessed this same dynamic: growth in one club in one part of town often works as a catalyst that causes or spurs growth elsewhere as more players and fans want to be part of the action.

While CFC and community foundations are discovering and perfecting ways of increasing foundation assets, grantmaking, and visibility, calls for community foundations to provide leadership are met with a different set of constraints, not least of which is the ambiguity behind the call to action. Lead? Lead who? Where to? Why me? With what resources? The next section examines three of these constraints: those created by rising donor-centric expectations, the evolution of place in philanthropy, and the definition and relationship with "community."

Donor-Centric Constraints

Those calling for leadership through grantmaking need to take into account the very real constraints many community foundations face, especially those whose endowments consist primarily of donor-advised or agency funds – i.e., a fund where the community foundation is following the granting instructions left in the deed of gift and is not able to direct grant dollars to areas the foundation board may see as most needing foundation leadership. Many foundations have mostly restricted assets and thus have very little capacity to deliver "leadership"-type grantmaking. For example, a community foundation with a 90:10 ratio of restricted to unrestricted assets that is disbursing, say, $1 million per year will have the opportunity to influence just $100,000 of its total gifts that year. Others have ratios that enable their boards to be more responsive to calls for community leadership. For example, the Vancouver Foundation disburses 60% to 70% of its grant funds by following the directions of the deed of gift. While responsive grantmaking is thus still the minority of what it disburses, 30% to 40% of $50 to $60 million annually is significant, and Vancouver's responsive grantmaking can be an influential source of funding that responds to community needs not met by existing DAFs.

DAFs present a distinctive challenge given their growth in popularity over the past decade, and the potential competition between community foundations and host foundations affiliated with financial services (and their wide networks of financial advisors) and by independent, specialized sponsors. The appeal of DAFs is that they enable the donor to claim the charitable tax credit at the time the contribution is made while delaying disbursements to a later date and maintaining advisory privileges on grantmaking. Although used mainly by affluent donors, DAFs also enable families to start with more modest contributions and grow the asset over time, in order to make more substantial gifts, with the intent of engaging younger generations in philanthropic decision-making. There is no disbursement requirement on individual accounts, only the Canada Revenue Agency (CRA) requirement of 3.5% for the sponsor foundation (as exists for all foundations and charities). In recent years, a very lively debate has emerged in the US over the need for greater regulation on the payouts and timing of disbursements and for increased transparency and monitoring of potential conflicts of interest by the foundations affiliated with for-profit investment firms (Madoff, 2018).

Much of the hand-wringing in Canada about competition is based on observations of what has occurred in the US with DAFs offered by for-profit financial institutions, such as Fidelity, Vanguard, and Charles Schwab. Observers have noted that the Canadian equivalents (Aqueduct by Scotiabank, TD Private Giving Foundation, etc.) haven't seen the explosive growth witnessed in the US, where funds given to the top commercial DAF, Fidelity Charitable, exceeded donations to the network of United Way agencies for the first time in 2015 (Lindsay, Olsen-Phillips, & Stiffman, 2016). It is difficult to estimate the amount of funds held as DAFs at Canadian community foundations because they do not count or report these uniformly; for instance, some categorize endowments and other donor-designated funds as DAF assets (Strategic Insight, 2018). The best estimate is that DAFs at Canadian community foundations grew by almost 40% from 2016 to 2018 (Investor Economics, 2020) to a current total of $1.5 billion, representing a constant average share of about 27% of the total assets of community foundations, although often much more at the larger foundations.

In order to attract a broad range of DAF donors and serve both clients and community well, Canadian community foundations have sought to distance themselves from the "commercial" providers by lowering minimal entry amounts (for example, to $5,000 at the Toronto Foundation) and providing more active donor education and advice. Many have also sidestepped the criticism of a lack of transparency of DAFs by providing names of the holders as well as annual contributions and grants, as does the Calgary Foundation. In contrast, many US community foundations have aligned with private foundations in opposing initiatives aimed at enhanced transparency or higher payout rates, pitting them against state nonprofit associations that support such moves (Phillips, Dalziel, & Sjogren, 2020). The Special Senate Committee on the Charitable Sector (2018) seemed to recognize that the issue of DAFs and the regulatory regime is somewhat different in Canada than in the US (Colinvaux, 2018) and that regulatory reform is complicated. It thus issued the rather vague recommendation that measures be taken to ensure that "donations do not languish in donor-advised funds, but are instead used to fund charitable activities in a timely fashion" (Special Senate Committee, 2018: 21). At the very least, any pursuit of regulatory change needs to recognize that many of the public-interest implications of DAFs held by community foundations differ from those held by "commercial" sponsors.

Internally, the growing significance of DAFs and other donor-restricted funds creates an inherent tension for community foundations as they attempt to straddle two strategies: to serve donor interests faithfully in accordance with their wishes while at other times asking donors to entrust the foundation with assessing need and disbursing funds according to its wishes. A donor-centred strategy often provides the decision-making guidance for foundations navigating this tension, but it can mean that getting to a place where the foundation has meaningful amounts of unrestricted funding is a long-term and uncertain proposition.

The Evolution of Place

Defined mainly by their geography, community foundations have a very "place-based" identity, with the name or tagline clearly identifying the community, region, or province the foundation serves. This convention is starting to change, however, in two ways. First, since DAFs held by, say, the Vancouver Foundation can support charitable work anywhere in Canada, the Vancouver-based DAF, if working with a CRA-qualified donee, can support philanthropic work anywhere in the world. The most dramatic example of a community foundation changing from exclusively place-based to an institution that supports communities as defined or chosen by the donor is the Silicon Valley Community Foundation (SVCF). First off, Silicon Valley itself isn't an actual place on a map; it's a loose, shifting location around the Bay Area of California. Second, in 2019 DAFs held at the SVCF directed almost two-thirds of their total grants ($1.2 billion) to organizations outside the generally accepted notion of what is the Silicon Valley, $82 million of which went to 72 countries outside the US (SVCF, 2019). The criticism of SVCF (Gunther, 2017) about its grantmaking is an example of one of the pressures faced by more and more community foundations; the growing importance of place is accompanied by an understanding of community that is no longer exclusively place-based. By way of contrast, DAF granting outside of British Columbia via the Vancouver Foundation is generally less than 5% of the $53 million it grants annually. Signs are that this kind of non-geographic community giving will grow, thus challenging community foundations' sense of who they are and who they serve.

The second driver for taking a "pan-place" view is the commitment of Canadian community foundations to pursuing the United Nations Sustainable Development Goals (SDGs) in their work (CFC, 2020). While guiding work in their home locales, the SDGs provide "an important connection between local actions and global aspirations" (ECFI, 2020). In applying the SDGs to their grantmaking and leadership at home, community foundations better appreciate the impact of global and regional influences and are urged to see their work as "part of something bigger" and to "scale beyond local communities" (CFC, 2020; McGill, 2020).

In addition to the place-based tension, a temporal pressure also exists and is becoming more acute. Common throughout the community foundation network – not unlike the land envy some lawn bowling clubs may feel from covetous property developers – is the tension between the merits of a charity saving and investing for the future when faced with very real demands to spend charitable dollars in response to the needs of today. Generated by a growing critique of endowed funds held in perpetuity as inefficient (Burrows, 2011), this tension is manifest in calls for funds to disburse at higher rates than the minimum CRA requirement or to serve as flow-through funds rather than permanent endowments. During the COVID-19 pandemic, for instance, 69 foundations, mainly family foundations with a few community foundations, joined the Give5 initiative, pledging to disburse 5% of their assets in 2020 (Sidovovska, 2020).

Diversity and Inclusion in the Evolution of Community

Community foundations need to achieve a "special double trust" of honouring generous donors and managing endowments for future generations while advancing "new visions for communities" (Noland, 1989). Arguably, their boards must perform a more complicated balancing act than those of private foundations or operating charities. They are expected to reflect place,[2] provide networks and connections,[3] bring reputation and status that enhances visibility (Paarlberg, Hannibal, & Johnson, 2020), offer expertise and collective knowledge of the finance and investment world, and generate a sense of ownership by the community (Lachapelle, 2020). Historically, this has tended to encourage their leadership to focus on the financial aspects of their work, making boards risk-averse and fearful of alienating potential major donors (Millesen & Martin, 2013). Concerned with representing major institutional, business, and other "pillars" of the locale, it has also produced boards lacking in racial, gender, or experiential diversity. As late as 2017, a report by BoardSource (2017) indicated that 44% of US community foundations had all-white boards (compared to 24% of public charities and 39% of private foundations). As the concept of "community" has shifted from a rather simple one delimited in geographic terms to one defined by and appreciated for its diversity and intersections, it has become a matter of credibility – as well as organizational effectiveness – that boards embrace meaningful inclusion.

Canadian community foundations, at least the larger ones, have made significant strides toward gender, Indigenous, and racial inclusion, albeit with a continued strong representation of the financial, legal, and other major institutions of the community. The limitations of small boards in being truly inclusive and the need to more fully engage with a wider range of population groups and interests has prompted innovations, such as creating youth advisory circles (as in Vancouver and Calgary) and "community engagement" committees (as in Montreal) and involving a variety of community-based expertise and experience on other committees. With dual pressures for visibility, linked to competition for donations, DAFs, and "next-gen" supporters; and for credibility, to support claims of community leadership, diversity, equity, and inclusion will be an ongoing imperative and basis of innovation by community foundations.

In the pursuit of more effective community leadership in the context of changing dynamics of place and population, Canadian community foundations have undertaken a variety of other notable innovations and intersections, some of which we explore in the next section.

The Innovations: Leadership by Canada's Community Foundations

Community leadership extends beyond grantmaking by drawing on extra-financial resources: through convening others for collective action, shaping ideas and agendas, enhancing the capacity and leadership of charities and community-based organizations, supporting innovation, and engaging in public policy.

Convening

The Hamilton Community Foundation was an early leader in cross-sector collaboration for social change. In 2002, it made addressing rising rates of poverty in the city its major issue, undertaking multi-year grantmaking, but it also recognized that no one sector alone had the solutions for tackling poverty. It co-convened, with the municipality, the Roundtable for Poverty Reduction (HRPR), in which it is still centrally involved. The HRPR provides a "safe space" for frank discussions, identifies opportunities and barriers to progress, levers and aligns other resources and investments for change, connects other organizations, and shares lessons learned (Makhoul, 2007). The Hamilton Community Foundation provided operational support, used its connections to local business to mobilize their involvement, and supports a Neighbourhood Learning Institute to build leadership at the local level.

Similarly, the Fostering Change initiative of Vancouver Foundation combined the roles of convenor, funder, ally, and champion over a sustained period in response to a widely held community concern: supporting better outcomes for youth when they age out of the provincial foster care system. With the advice of a youth advisory circle, by engaging youth nonprofits and mobilizing public opinion through surveys and a petition, significant changes in policy and practice were achieved. With such success, the Vancouver Foundation recently returned the initiative to the community that had inspired it.

Knowledge for Agenda Shaping

When the Toronto Foundation pioneered the first *Vital Signs* report in 2001, they likely didn't foresee its adoption and widespread promotion among the community foundation network in Canada, and indeed now around the world (Harrow & Jung, 2016). These reports are seen as an authentic and valuable resource developed through using a blend of data and statistical analysis, listening to community voices – especially those not often heard, sharing the results and insight with everyone concerned with community well-being, and using the reports to animate wider policy conversations. The adoption of *Vital Signs* is not confined to the larger foundations, as 29% of those that produced reports from 2007 (albeit not necessarily every year) are quite small, with assets under $2 million, and about half are mid-sized (with assets up to $50 million) (Phillips et al., 2016). Although the *Vital Signs* reporting and subsequent conversations are distinctive to each centre, as a pan-Canadian initiative the process has enabled the concerns raised in local reports to percolate upward, to a national scale, then be diffused through CFC to other locales. For instance, the concern about a sense of belonging that was expressed in *Vital Signs* reports in Vancouver and Waterloo in 2011/12 was taken up in a countrywide report in 2015 and subsequently examined in community contexts in other centres (Phillips et al., 2016).

Impact investing

Several community foundations – notably Edmonton, Hamilton, and Ottawa – have been at the forefront of the growing field of impact investing: investing their endowments and assets for social good as well as financial returns. The work of the Edmonton Community Foundation through its Social Enterprise Fund (SEF) is illustrative of the kind of response community foundations are pursuing as they strive to use capital and income to address community needs. The SEF offers patient debt financing to public benefit organizations that are working to improve their communities and have difficulty accessing traditional financing sources. "Since its launch in 2008, SEF has provided loans of all shapes and sizes to more than 40 organizations. These loans are for everything from improving access to locally produced food to cleaning the environment. They can range from building affordable housing to creating jobs for at-risk youth. Many loans have been paid-in-full, with the capital recycled into new investments" (Edmonton Community Foundation, 2020).

This work was elevated across the community foundation network with the creation by the federal government of the $755 million Social Finance Fund in 2018, intended to stimulate the social investment market. However, the demand side – the capacity of charities and nonprofits to make use of social finance tools – was underdeveloped (Jog, 2020). An additional $50 million has been provided as an Investment Readiness Program that is administered by CFC (with other national partners) and delivered regionally mainly by community foundations, offering funding to social purpose organizations to develop mechanisms for revenue generation using loans or equities.

Relationship Building toward Reconciliation

At the conclusion of the Truth and Reconciliation Commission in 2015, a number of philanthropic institutions, including many community foundations and CFC, signed the Declaration of Action making a commitment to advance reconciliation among Indigenous Peoples and settler society. While the specifics of actions and progress varies, reconciliation remains a priority for many community foundations, of which Winnipeg is a leading example. Its 2017 *Vital Signs* report identified reconciliation as a priority for the city, and the Winnipeg Foundation (2019) has pursued this path through means of awareness- and relationship-building, a focus on youth-led reconciliation through its Walking Together program, creation of a non-endowed Reconciliation Fund, support for capacity building in Indigenous community organizations, and a commitment to comprehensive reporting on process. Other community foundations, such as Ottawa, have taken steps to identify and rectify barriers to reconciliation in their grantmaking processes (Dougherty & Ethier, 2020) and to initiate new funding streams for Indigenous communities and "reconciliation" projects.

Sharing Knowledge through the Network

The widespread adoption of *Vital Signs* points to the inherent value that a network of community foundations can deliver in supporting learning and adoption of promising practices. Considering that community foundations had been active in Canada since 1921, the fact that it took until 1992 (more than 70 years!) to establish the umbrella network might cause an observer to question their willingness to work together. Recent experiences where the network has delivered value to the members (e.g. Canada 150, the Syrian refugee crisis, Queen Elizabeth Scholars) have added a new dimension to the equation. Not just a network to share learning, CFC has demonstrated to major donors, governments, and corporations that if they seek to deliver philanthropic funding throughout Canada, and to ease their administrative complexity by doing this through a single point of contact, the CFC network is ideally suited for the task. The Welcome Fund for Syrian Refugees established in 2016 provides an excellent example: a single grant to CFC in Ottawa could be accessed by any of the 191 members, thus enabling the funds provided by the donor to be deployed across Canada through a local community foundation to partner agencies deeply integrated in assisting newly arrived Syrian refugees (Carlton & Lyons, 2020). The simplicity of this from the donor (and government) perspective, compared to negotiating and funding individual grants on a project-by-project basis across Canada, may prove to be one of the most impactful attributes.

This "single access" approach was duplicated during COVID-19 when CFC (with United Way/Centraide and Canadian Red Cross), working through its members, became the delivery agent for the $350-million federal Emergency Community Support Fund (ECSF) to assist vulnerable communities. Processing more than 10,700 applications for support in the 2020 first round alone, community foundations had to scale their grantmaking capacities very quickly, and smaller organizations were significantly stretched. It is unclear whether this major emergency response will have longer-term effects on the configuration of grantmaking priorities and the balance of granting versus other forms of community leadership. However, it has contributed to the complexity of the changing environment for community foundations.

The Risks in a Changing Environment

The former president of the Silicon Valley Community Foundation, Emmett Carson, put the cat among the pigeons in 2011 when he said, "In five or 10 years, I fear that many of the institutions in this room won't be here. Revenues aren't meeting expenses. Other people offer what we perceive as our core product (i.e. donor advised funds) at a cheaper price – zero. As for raising costs: talk to Netflix. In this environment, that doesn't work" (Duxbury, 2011; see Carson, 2015). By challenging community foundations with the assertion that their business model was broken, a debate was launched: what, exactly, is the business model of a community foundation? And if you reach consensus on the model, is it in fact breakable? Rather than try to take that task on, this section will instead explore the variety of risks – and different levels of risk, depending on the stage of development of individual organizations – that community foundations face.

Most importantly, we are seeing some big changes in the traditional patterns of philanthropy. Charitable giving is falling (or flat) year over year, and it is shifting, with big donors giving an ever-larger proportion of the diminishing donation pool (CanadaHelps, 2020). This trend is likely affecting community foundations least, as estate gifts tend to be larger, and most foundations are not competing in the retail, small-sum, annual-giving marketplace where we see extensive competition and signs of decline.

While giving behaviour and amounts are shifting, donors' expectations are changing as well, with more and more seeking an active role in managing their gifts. Many donors are no longer as willing to rely on a charity to be the intermediary between them and their cause. Whereas disintermediation is a significant challenge to the United Way movement, as donors opt to give directly to the charity of their choice, this trend also has some, but not dramatic, impact on community foundations. First, a donor who sets up an endowment at a community foundation can direct their granting – removing the United Way from the equation but inserting the community foundation in its place. Second, as community foundations generally don't seek to be in the market for flow-through donations to charities, the loss of this market is a non-event for them. One challenge that community foundations need to address with donors who seek greater control over their giving, however, is that it often goes hand in hand with higher demand for access to online grantmaking tools and services. Some donors may also seek advisory services from the foundation staff as they wish to tap into community knowledge held by the foundation. The increase in demand for services can strain the infrastructure and support abilities and may outstrip the capacity of the foundation to provide them (and note Carson's point that raising fees to expand service offerings is a non-starter).

Ultimately, the viability of a community foundation's business model is determined by its ability to raise an endowment and manage its investment in such a way that it generates a) sufficient return to meet its disbursement quota (3.5% of its value), plus b) additional return to protect the capital from the erosive impact of inflation (1% to 3% annually), and c) enough return to cover fees and costs. The challenge smaller foundations often face (and the one Carson was likely addressing) is with endowments that are out of sync with the costs they are expected to support. This is not a problem with the "business model" per se, but a problem with the "business," wherein the board or management has built a cost structure that existing revenue can't support. This can certainly be an existential challenge for *that* foundation, but it isn't a systemic risk or threat to all foundations.

The true risk to the business model of all foundations is not managerial or even from poor returns on investments, but rather regulatory. Recent, but still limited, debate has been seen in the US and Canada questioning the very notion of perpetually endowed funds. The arguments marshalled by the critics often raise the timing mismatch of the tax benefit the donor receives (immediate) compared to the time frame of benefits to the public (typically taking 20 years for the endowment to generate investment returns equivalent to the original donation; longer if you factor in the net-present value of the donation). A public pushback against perpetuity (Reich, 2018) could undermine the social licence and legitimacy that foundations and endowments currently enjoy and could give more momentum to those who are leading the charge to raise the minimum distribution rate or launch court challenges to gain access to endowments and put them to use against present needs. For example, one US proposal is to raise the payout requirement to 10% on an emergency basis for three years to address the effects of COVID-19 (Collins & Flannery, 2020). Governments seeking to raise tax revenue may also decide to tax endowment income, as the US has done. The tipping point for the sustainability of the endowment is when the expenses incurred (disbursement, taxes, fees, administration, etc.) exceed its ability to grow. When those costs are imposed by government regulation (rather than by foundation management), only then can one say the business model has been broken.

So how, then, will community foundations thrive in the years to come? Most believe the future lies in exercising community leadership, thus positioning the foundation so that it can understand and respond to community priorities using its various assets – be it the endowment, its granting income, convening abilities, knowledge mobilization, or any combination of these attributes. This is assumed to ensure the foundation supports meaningful and visible work, thereby attracting donors, staving off disintermediation, and mitigating regulatory risk. In addition, being a member of a growing and influential network confers benefits to all members of the network, but it also means that a systemic risk can flow through a network much faster than a systemic benefit. As the CFC network becomes ever more connected and (perhaps) interdependent, the movement has to be mindful that a scandal in one will affect the reputation of many.

Foundations that have yet to reach the inflection point of sufficient unrestricted grantmaking assets to demonstrate their own leadership abilities may have potential through greater engagement with donor-advised fundholders. Many DAFs follow quite traditional grantmaking patterns – sprinkling funds to their few favourite charities year after year. As these grants are very much appreciated by the recipient charities, rather than try to shift this granting to emerging leadership opportunities, foundations are working with these donors to expand their giving, either by increasing their endowments or adding a new stream to their annual giving, recognizing that many DAF holders do have capacity for increased contributions – they may just be looking for new ideas.

Many foundations are also exploring the concept of using all assets for impact – for some, this will be responsible investing – investing their endowment only into companies using environmental, social, and governance (ESG) considerations or those that adhere to the United Nations Principles for Responsible Investing. Others will engage in impact investing, seeking to invest locally in organizations or social enterprises that generate the so-called double (or triple) bottom lines – that is, generating a financial return *and* a social return.

Participating in debates about the regulatory regime governing charities is essential for community foundations to engage with and ensure they present their worldview and contributions to those who make the rules that enable or inhibit the work and growth of the foundation movement.

Connecting with the next generation of donors and new donors is often presented as a conundrum for community foundations. Most young donors don't have the means or the inclination to establish an endowment, an event that normally follows either a major financial transaction or a death, neither of which are common among the young. But unless they are donors when they are young, why would they give to you when their circumstances have changed? Consequently, community foundations are addressing the imperative of connecting with the next generation in a variety of ways. Toronto Foundation and its Vision2020 initiative are working to find younger donors who do have the means (either through inheritance or early wealth creation) and encourage them to set up "starter" funds. Vancouver Foundation engages extensively with young people in its granting programs, ensuring that it is known among younger citizens, but not simultaneously trying to turn them into donors.

Conclusion: Like Lawn Bowling – Surviving or Thriving?

Whether large or small, community foundations in Canada face a similar challenge. An asset base delivers steady, secure income but may also build a sense of complacency. Likely working against complacency will be vocal community members asking that you do more for the issues that matter. The demands will often be contradictory and reflect the full variety of opinion and priorities that exist in our communities. Expectations will far exceed organizational capacities, as many observers will not understand the limited range of options. When a community foundation is tempted to take the easy path and disburse grants according to deeds of gifts, and either can't or doesn't develop the capacity to use the full range of foundation assets (financial, reputational, knowledge, etc.) to provide community leadership, it may become like the proverbial lawn bowling club that survives because some people enjoy its services. But it doesn't thrive and doesn't reflect the energy of the wider community.

To be fair to our animating metaphor, it appears that in many places lawn bowling is being reinvigorated, mainly by youth doing it "barefoot." Compared to various alternatives, it is relatively inexpensive, easy for newcomers, social, out in the sunshine, and can be done without the old rigidity of dress codes (or shoes). Perhaps reinvented lawn bowling is an apt metaphor for the future of Canadian community foundations after all.

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Notes

[1] Categorized (roughly) as Group I, with assets under $2 million; Group II, with assets under $100 million; and Group III, with assets over $100 million.

[2] In some centres, as in Edmonton, there is a twofold institutional process of selecting board members. First, prominent municipal institutions – the mayor, representatives of business, labour, universities, and the United Way, among key local organizations – appoint the nominating committee when recruiting board members.

[3] In a recent study, Paarlberg, Hannibal, and Johnson (2020) demonstrate the importance of interlocking board memberships for organizational reputation and status. Phillips, Grasse, and Lenczner (2016) find that community foundation boards are quite different from those of United Ways, notably that community foundation board members are much more likely to sit on other nonprofit or foundation boards than are those of United Ways.

Biography

Kevin McCort, Vancouver Foundation

Kevin McCort is president and CEO of Vancouver Foundation, a role he has held since 2013. Prior to joining Vancouver Foundation, Kevin worked with some of Canada's leading humanitarian aid organizations, including six years as president and CEO of CARE Canada. As the scale of Vancouver Foundation has grown, Kevin has also worked to expand its impact, pioneering new initiatives and innovations that create meaningful change at a community level. Kevin has led his team in a transformation of Vancouver Foundation's approach to community granting, focusing on supporting systems-change work that addresses root causes of pressing social, cultural, and environmental issues. Kevin serves on the board of Community Foundations of Canada and is a member of the Advisory Committee on the Charitable Sector, advising the Minister of National Revenue.

Susan D. Phillips, Carleton University

Susan Phillips is professor, School of Public Policy and Administration, Carleton University, and director of its Master of Philanthropy and Nonprofit Leadership (MPNL) – Canada's only graduate program in this field. She serves as editor-in-chief of *Nonprofit and Voluntary Sector Quarterly,* the leading international journal on nonprofits, philanthropy, and civil society, and is an associate of the Centre for the Study of Philanthropy and Public Good, University of St. Andrews, Scotland. Susan's research focuses on place-based philanthropy and public policy/regulation of charities and nonprofits. She is co-editor of *The Routledge Companion to Philanthropy* (Routledge, 2016) and is currently co-editing a book on disaster philanthropy and leading a study team exploring the question "What makes some charities more resilient than others?" Her work in advancing research in nonprofit studies has been recognized by a Distinguished Service Award from the Association for Nonprofit and Social Economy Research (ANSER) and in public management from the Canadian Association of Programs in Public Administration (CAPPA).