

The Private Charitable Foundation:

Working Together to Match Needs with Resources

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Before discussing the possibilities for co-operation among foundations and the various other estates of the philanthropic sector it will be useful to have some insight into how foundations fit into that sector. Although my experience has been primarily confined to The Richard Ivey Foundation and The Richard and Jean Ivey Fund, my views will, I hope, be representative of at least a part of the foundation community. Foundation giving is a demanding business and one which bears a considerable degree of responsibility and accountability.

The term "foundation" was best described by the late F. Emerson Andrews, a former president of the highly regarded Foundation Center in New York, as "a non-governmental, non-profit organization with funds and programs managed by its own trustees or directors and established to maintain or aid social, educational, charitable or other activities serving the common welfare". Keeping this definition in mind, there are, nevertheless, several types of foundations. A family foundation, such as the one with which I am associated, is, as you would expect, one whose source of funding was, or continues to be, an individual or family. There are also corporate foundations which are independently constituted but whose funds are derived from a profit-making company. The third type are community foundations of which the Winnipeg and Vancouver are the most prominent in Canada. Gifts from individuals, usually in the form of bequests, comprise the funding base of community foundations which are usually intended for the benefit of the community in which they originate. Last, but of no less consequence, are special-interest foundations, best exemplified by The Physicians' Services Incorporated Foundation or The Hospital for Sick Children Foundation, which are supported by a multitude of donors and whose granting activities are confined to a specific area of interest.

At present, each type of foundation is further categorized by the Department of National Revenue as either "public" or "private." Family and company-sponsored foundations fall into the category of "private" foundations and are required to disburse 90 per cent of net income of qualified investments and the greater of 5 per cent of market value or 90 per cent of income from non-qualified investments, such as U.S. marketable securities. Community and special-interest foundations are classified as "public" and, as such, must expend the greater of 80 per cent of the previous year's income or 90 per cent of the current year's. It should be noted that the government has proposed certain changes that may affect disbursement requirements.*

* See page 41 for revised disbursement requirements arising from the April 21, 1982 Release of the Minister of Finance.

Regardless of type, all foundations are united in their commitment to the betterment of society. The importance of foundation giving has never been so great as now, in the 1980's. Yet, a note of warning was sounded in a recent issue of the U.S. magazine *Foundation News*. Viewing the prospects for success of the voluntary non-profit sector during the 80's, it stated, "It will take extraordinary efforts by all who would support this sector to offset the negative forces so that 'real' growth in quantity and quality of giving will occur in the next decade".

I am pleased to say that private foundations are particularly well suited to accept this challenge of the 80's and, with a reinforced commitment to co-operation between the granting sectors, I believe that collectively we can rise to the occasion and respond effectively to the charitable needs of our country. The first step in ensuring that effective response must be to understand our role in the larger picture. Foundations, particularly private foundations, have a number of inherent strengths which permit them to play a prominent part in the funding of philanthropy. First, unlike most other funding sources, a foundation's granting income is relatively constant, often even greater each year. Its resources are not linked to fluctuating profits as are many corporate donations budgets. Nor are they subject to the changes in direction and priorities which can affect government granting. While the support of private individuals is by no means insignificant, it, too, varies with their incomes during a particular year.

A direct benefit of foundations' relatively stable funding base is the ability of private foundations to formulate fairly distinct granting policies. As Allan Arlett wrote in his preface to *The Canadian Directory to Foundations and Granting Agencies* (Fourth Edition), "One of the great merits of a foundation is that it provides the opportunity for the donors to develop an organized approach to philanthropic giving. By defining specific areas of interest, those involved in deciding how philanthropic dollars should be expended can develop an expertise that enables the careful evaluation of grant requests." Among the foundations listed in the Directory there are certainly some claiming to support a wide range of concerns. However, the majority have identified specific areas of interest ranging from health, education and the humanities, to park development, law reform and native peoples. Most perceive that with limited staff it is impossible for a foundation to become an authority on all charitable concerns. Yet it is the fundamental role of a foundation to give intelligently and responsibly. Experience has shown that this can best be accomplished by developing considerable expertise in specialized fields of interest. A trend toward this more sophisticated foundation giving is certainly discernible and should result in better allocation of foundations' much-in-demand dollars.

Once well-defined areas of interest are established, foundations can operate as "initiators" or "reactors." The majority are "reactors," responding to proposals received. A few foundations, however, have become "initiators." They actually conceive and initiate projects within their prescribed areas of interest. The Devonian Group, based in Calgary, is an excellent example. It initiates major projects on its own and, in fact, does not encourage outside requests. Specializing in park development and museum/heritage-related activities, this foundation has singlehandedly developed and executed such ambitious projects as a magnificent glass-enclosed indoor park and a collection of over 100,000 museum artifacts for the Glenbow-Alberta Institute.

Foundations serve a particularly useful purpose in fields where governmental or public support is not readily available. The risks are great, but the rewards can be even greater. This is particularly so with regard to scientific research where success is not guaranteed and where there is therefore a degree of risk for the grantmaker. Since foundations are accountable to the public, such grants must always be educated decisions based on thorough investigation of the project.

Foundations are also expected, and often called upon, to provide a considerable degree of leadership, a role for which they are eminently suited. Since they are highly regarded by all sectors of society, foundations are very effective "lead donors." It may be difficult for a foundation to make that first move, but it normally has a "domino" effect on other granting agencies with gratifying results for the success of the campaign.

Foundations can also play a leading role by providing practical assistance to other charities and causes. The Richard Ivey Foundation often acts in an advisory capacity to organizations who are exploring alternate funding sources or new fund-raising methods. We believe this help has been constructive. Some foundations, particularly in the U.S., develop a very close and active working relationship with the organizations they fund. Such relationships often last the life of the project and beyond.

Over the years, foundations have supported an astonishing range of philanthropic activity. For example, I doubt very much that there is one university in Canada whose physical or research needs haven't been assisted by foundations. These institutions are now particularly dependent on our resources as declining enrolment and government cutbacks pose ever greater threats to the quality of both education and research.

Hospitals, too, have been the beneficiaries of much foundation support. Right now there are four major hospital redevelopment campaigns being conducted in the Toronto area alone. All will require substantial participation by foundations if objectives are to be reached. Breaking new ground in hospital support, one foundation has provided assistance for the costs of producing a film on the Palliative Care Unit at Royal Victoria Hospital in Montreal, a world prototype in its field.

Other foundation grants have permitted the reading needs of the blind to be better served through the CNIB's "talking books" library of spoken textbooks, periodicals and recreational "reading." Foundations have also been active supporters of "Y" expansions and many camps for underprivileged children have been outfitted or operated with their help.

An interesting grant which The Richard Ivey Foundation made this year was to the Special Ability Riding Institute whose program offers the therapeutic and recreational benefits of horseback riding to people suffering from cerebral palsy, multiple sclerosis, and other disabilities, even blindness. Riding improves balance and co-ordination in everyone, but it is of special benefit in encouraging the development of remaining capacities in the disabled.

The needs of Canada's native peoples are the focus of several foundations. One has underwritten the costs of a major study of Indian health and the Indian health-care delivery system.

A relatively new area of foundation interest is conservation, a cause which gained momentum from the environmental movement of the 60's. In the ensuing years, myriad special-interest groups have emerged, each representing a different concern. Two well-established organizations with which our foundation has enjoyed a good working relationship are The Nature Conservancy of Canada, which provides conservation authorities with the means to acquire and preserve natural areas, and the World Wildlife Fund (Canada) which recently received support for the preparation of reports on the status of endangered wildlife in Canada.

The arts have also received generous support from foundations. Some grants have permitted small performing arts companies to purchase lighting and other essential equipment while nearly every major theatre or concert hall in Canada had depended on foundation support at one time or another. The spectacular new replacement for Massey Hall in Toronto is a good example. Foundations have contributed close to 25 per cent of the private funds given to this project.

Yet, few of these foundation activities and accomplishments would have been successful without the co-operation of other granting sectors. I believe that it is only through a greater commitment to this kind of co-operation that we can hope to meet the challenges facing philanthropy in the 80's.

Co-operation among the foundation, corporate and government sectors is of primary importance. Rarely can one funding agency afford to underwrite the full costs of a program. Most require the combined resources of all three granting sectors.

The foundations with which I am associated have never shied away from so-called "funding partnerships." One of our significant grants was a \$1 million appropriation to The Nature Conservancy of Canada for the acquisition of properties along the Niagara Escarpment. First, the properties were identified by one of the seven conservation authorities along the escarpment. The authority then sought assistance from The Nature Conservancy. Finally, for each significant property that became available at a reasonable value, the Ministry of Natural Resources contributed 75 per cent of acquisition costs. This share was increased to 85 per cent in some cases and in many cases the local authority would also contribute funds. The Nature Conservancy therefore had at least three times the resources it could have acquired from one source with which to carry out this valuable program. Joint ventures clearly stretch the ever-shrinking donated dollar.

Co-operation between foundations and government can take many forms, including outright support. Our foundation provided a substantial grant for the development and acquisition of reference materials for the library of the Ontario Police College in Aylmer. Some may question the prudence of a foundation supporting a government institution. We felt we were meeting a valid need for which no other financial resources were available.

This sort of support is not unique. The United Way of Greater London, the financial backbone of the community's social service agencies, received support from two foundations for the acquisition of premises that are the envy of their counterparts in other cities.

In the past six months, foundations and corporations have been deluged with requests arising from the Wintario Arts Challenge Fund. Through this program the Ontario Ministry of Culture and Recreation has challenged Ontario's large arts organizations to retire deficits and achieve some semblance of operating stability by providing \$2 of matching funds from its lottery profits for every \$1 raised over and above the agreed-upon amount which represents the base level of fund raising required to sustain operations. Regulations of the program stipulate that the Wintario funds awarded must be placed in an endowment fund, the income from which will be used for annual operating expenses.

This program is as much a challenge to the foundation, corporate, and public sectors as it is to arts organizations. To be successful, grantseekers must tap all sources of funds; foundations, corporations and individuals must increase their support; and the government must provide the two-for-one funding through Wintario. The Arts Challenge Fund is a splendid example of how funding sectors can benefit from working together.

Foundations are also increasing co-operation among themselves. In 1974, The Association of Canadian Foundations was established to provide a vehicle through which foundations could meet to discuss common problems and develop an awareness of each other's areas of interest. Another objective is to obtain a better understanding of the needs of the communities which the foundations serve. While informal in nature, the Association has helped to establish a feeling of community among foundations.

Of equal importance to effective granting is co-operation between those seeking funds and those making grants. The Council on Foundations in the U.S. has adopted a statement of principles and practices for effective grantmaking. One of these states, "Open communication with the public and with grantseekers about the policies and procedures that are followed in grantmaking is in the interest of all concerned and is important if the grantmaking process is to function well, and if trust in the responsibility and accountability of grantmakers is to be maintained".

I heartily commend the Board of Directors to The Council on Foundations for adopting this and other "Recommended Principles and Practices for Effective Grantmaking" which were reprinted in the Summer 1981 issue of *The Philanthropist*. It should be required reading for all foundation officials in Canada.

Once granting agencies have formulated and published their areas of interest, it is the responsibility of those seeking support to research all available sources, such as *The Canadian Directory to Foundations and Granting Agencies*, to determine which foundations are best suited to, and the most likely to be receptive to, their needs. For example, if playground equipment is required, a community foundation, if it exists, would be the most appropriate body to approach. It should also be obvious that a private foundation whose published interests are health and education is unlikely to look favourably upon applications relating to the performing arts. It is in the grantseeker's interest to follow proper application procedures and provide appropriate information.

Grantseekers should also remember that foundations, like charities, have budgets within which they must operate. Considering the number of requests in relation to the funds available, some refusals and disappointments are inevitable.

Refusals are always a difficult problem. Grant restrictions such as those which prevent a particular foundation from making grants to operating funds or exclude administrative costs from research grants, are often criticized. Few seem to realize how many charitable organizations appeal annually for operating funds. Most foundations, if they find a unique organization that they want to help, can find a way around their own restrictions. Our own view is that a restriction against operating-fund grants makes a lot of sense except in very unusual circumstances.

There is also a wide variation in foundations' approach to the administrative costs of research grants. Perhaps those who restrict such grants have decided that it is easier to refuse to fund any research costs. For our part, we have not found this a major problem.

A problem which is arising more frequently in recent years has arisen from past government grants which have led to unrealistic expectations for the future. In the 60's and 70's many government grants went to small groups of young people and other "new" organizations as Local Initiative Program grants. When government withdrew its support, many of these organizations turned to the private sector. They were both surprised and disappointed when they could not pass careful scrutiny from corporate and foundation grants officers.

Similar problems have arisen because many museums and galleries which received major capital support from government grants have found the same governments unable or unwilling to provide increased operating support for the expanded facilities. This is putting tremendous pressure on the private sector at a time when corporation profits are declining. Requests to foundations are therefore bound to increase.

The future of foundations in the 80's? I have no crystal ball, but I can already perceive some trends. Society in the 80's places a good deal of emphasis on disclosure and exposure. Foundations may soon find that the day of quiet, low-profile assistance is over. Employing a skilled public relations officer to instruct the public about how foundations work may well save, rather than cost, money. For instance, I am convinced that the excellent PBS television programs, many of which are sponsored by foundations, have, in general, a favourable image that keeps contributions coming.

A Reuters News Agency article entitled, "Rich Young Sixties Survivors New Breed of Philanthropists", reports a trend in the United States which is too recent to assess with certainty. The report notes that a new type of foundation, managed by donors who grew up in the turbulent 60's, has emerged. These donors, possessing inherited wealth, have rejected traditional recipients in favour of radical and minority causes. They are taking a political stance. Canadian foundations, at least at present, seem to prefer to keep politics out of their boardrooms.

To sum up, a good foundation should be a two-way street where interaction and communication between itself and society bring rewards for both.

The rewards to society are obvious. A glance at the scope and diversity of giving in even a few of our foundations sets them out for all to see.

And the rewards for foundations? The opportunity to preserve what is good on earth, to support what feeds the soul or stimulates the intellect, to encourage a talent or save an endangered species or to keep alive the dreams and aspirations of others is not only a privilege but a sacred responsibility. For foundations, that responsibility is the source of incalculable satisfaction.

The Private Charitable Foundation: Roles and Responsibilities in Philanthropy

H. W. MEECH, President

THE DEVONIAN GROUP OF CHARITABLE FOUNDATIONS

I've been associated with The Devonian Group of Charitable Foundations and its predecessors since its beginning in 1955. Originally, these Foundations were interested in the acquisition and use of museum collections related to Western Canada; later, interest expanded to include acquisitions and collections from many areas of the world. These collections, which were acquired in the period of 1955 to 1977, have been given to the Glenbow-Alberta Institute in Calgary, which is supported by the Alberta Government and the City of Calgary and has a substantial endowment of its own.

In 1973, the decision was made to re-organize the Foundations with a view to broadening the Group's role and mandate. A study was made of developments in the field of philanthropy. During the course of this study, we found two statements of general policy concerning the roles and responsibilities of foundations and those who run them:

I. The Council on Foundations Policy Statement — January 1973

1. Basic Rationale

The foundation as an institution is a means whereby non-government initiatives and resources can be committed to the service of the public welfare — foundations are one element of many and they contribute substantially to human welfare.

2. Diversity

Foundations differ greatly in origin, size, purpose, organization and mode of operation. In this diversity they correspond to the multiplicity of society's bona fide charitable needs, and because of it, satisfactory generalizations about foundations are difficult. Within their general philanthropic mandate, it is fitting that some foundations should be concerned par-