

Investment Strategy for Endowed Charitable Foundations in Light of the New Disbursement Quota*

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I. Introduction

Since 1976, there have been many proposed changes to the rules affecting foundation "payments". The Department of Finance's "initiatives" have included:

- 1) 1976 green paper;
- 2) Bill C22 passed in 1977 to amend the *Income Tax Act*;
- 3) Budget of November 12, 1981;
- 4) A subsequent modification in April 1982;
- 5) An *Economic Statement* of October 27, 1982;
- 6) The May 1983 Department of Finance paper entitled *Charities and the Canadian Tax System*; and
- 7) The draft legislation, pertaining to amendments to the *Income Tax Act* relating to the tax treatment of charities, released on April 25, 1984.

I apologize if I have forgotten a step or two along the way, but the point is that those of us who have had the responsibility for managing foundation investment portfolios since 1976 have been travelling a rocky road. We have been asked to make submissions to, and help prepare studies for, the Department of Finance, while at the same time we have had to manage portfolios under the existing legislation. This uncertainty has led us to formulate a rule: manage the portfolio under the *present* rules until you see the "whites of the eyes" of the new rules. It has been very tempting to *anticipate* "imminent" changes in the rules only to find there were further changes or delays. The most recent changes, for example, were released as draft legislation which seemed acceptable to most parties, but the government dissolved Parliament, a new government came into office and the future was again in doubt. Foundations remained subject to the provisions of the *Income Tax Act* as amended in 1977. That doubt has now been resolved, at least temporarily, with the December 20, 1984 enactment of legislation translating the draft proposals for a new disbursement quota into law.

*This article was developed from a presentation to The Canadian Centre for Philanthropy's special forum: *The Effective Investment of Charitable Funds*, held in Toronto on September 26, 1984. The disbursement quota proposed at that time has since been passed into law.

II. The New Disbursement Quota Compared to the Previous Disbursement Quota

Since the disbursement quota is a constraint on the decision-making process of both a foundation's donations committee and its investment manager's investment strategy, it will be useful to begin by comparing the new quota to previous regulations.

Tables I and II illustrate the previous disbursement quota and that of the present quota. From the point of view of investment management, the disbursement rules are virtually the same for public and private foundations. However, whereas the 90 per cent rule had more implications for private foundations under the old rules, the new 4.5 per cent disbursement quota affects public and private foundations equally.

Further, a point unfortunately overlooked in the new legislation, there is no averaging provision under the 4.5 per cent rule. Initially, the Department of Finance had suggested that the 4.5 per cent disbursement quota for any fiscal year could be based on an average capital value of the foundation at the end of the eight quarters preceding that fiscal year. This option would have somewhat alleviated the swings in the required donation level inherent in using a one-point valuation formula. The new legislation uses, as its base for the calculation, the capital value of investments at the beginning of the fiscal year. This becomes another matter for serious consideration in both donation and investment-management decisions.

The removal of the "qualified" asset category and the substitution of the "non-qualified" category eliminates the possibility, which existed previously, of a foundation finding itself in the unfortunate position of being obligated to make double disbursements in one year with respect to those assets which it held at the beginning of the year if those assets were not "qualified".¹

The 4.5 per cent disbursement quota seems, at first glance, to make the foundation's life less complicated. Certainly it is less complicated from an administrative point of view. However, it raises many questions and must be viewed in relation to the long-term objectives of the foundation.

III. Goals, Objectives and Constraints of Foundation Portfolios As They Affect Investment Management

While the disbursement quota is a *constraint* on the donation policy and also on investment management, that does not necessarily mean that it is *inimical*: it merely means that it is an important factor in the decision-making process. There are, in fact a number of factors that must be taken into account in the establishment of an investment portfolio appropriate for a specific endowed foundation.

In the following pages I will set out the basic principles governing management of a foundation portfolio, discuss objectives and constraints, and offer some tables explaining the process that leads to an appropriate foundation portfolio.

TABLE I
Previous Disbursement Quota
(1977 *Income Tax Act* Amendments)

Registered Charities

	A		B
	Charitable Organization	Charitable Foundations	
1) Type of Organization		Public	Private
2) Disbursement Rules	At least 80% of amounts for which tax receipts were issued in immediately preceding taxation year.	a) Greater of: 80% of amounts for which tax receipts were issued in immediately preceding taxation year (excluding 10-year capital gifts) or b) 90% of income for the year.	a) 90% of the income received from "qualified investments" plus b) The greater of: 90% of income from invest- ments that are not "qualified investments" or c) 5% of market value of invest- ments that are not "qualified investments" at the end of the preceding year.
3) Investment Restrictions	None under the <i>Income Tax Act</i>	None under the <i>Income Tax Act</i>	There is a concept of "qualified investments" which affects the disbursement quota.

TABLE II
Present Disbursement Quota
 (For Quick Reference Only)

Registered Charities

		A	B
1) Type of Organization	Charitable Organization	Public	Charitable Foundations Private
2) Disbursement Rules	At least 80% of amounts for which tax receipts were issued in immediately preceding taxation year ("other than endowments and testamentary gifts").	a) 80% of amounts for which tax receipts were issued in immediately preceding taxation year (10-year endowments and capital testamentary gifts excluded). <i>plus</i> b) 80% of all amounts received in immediately preceding year from other registered charities (other than "specified gifts", i.e., gifts not included in donor charity's disbursement quota). <i>plus</i> c) 4.5% of value of investment assets at beginning of year (excluding assets in b). There is no averaging provision.	
3) Investment Restrictions	None	None	"Non-Qualified Investment": debt instrument, share or right to buy a share held by a private foundation and issued by persons in a position of control or influence over that foundation's operation. (There are exceptions, e.g., shares listed on a prescribed stock exchange.) The issuer is taxed on the difference between the actual rate/dividend paid and the prescribed income.

Note: Foundations cannot acquire, for consideration, the "control" of a corporation.

Basic Principles

1. Foundations are established with specific or general donation objectives. Two considerations have an effect on the portfolio management of the foundation's assets:
 - a) *rate and pattern* of the donation flow;
 - b) *intended term* of the foundation.

There may also be investment constraints set by the foundation's sponsors.

2. Alternative types of investment assets provide different rates of return and carry varying risks.
3. Combining knowledge of the characteristics of various types of investment with an understanding of the nature of the foundation's donation plan, an investment manager can construct the optimum portfolio.

Objectives and Constraints

Objectives

Some foundations have very short, more or less "one-shot" goals. The 4.5 per cent disbursement quota will have a limited effect on the planning of such foundations. Others are designed to provide donations "in perpetuity". These varying requirements must be taken into account when investment policy and investment objectives are established.

Constraints

There should be very few constraints if the investment portfolio is to meet the foundation's goals. As we have seen, the most important constraint on investment policy is the disbursement quota. If it is not met, then the foundation will be deregistered and its assets forfeited.

Further constraints are sometimes established by the foundation trustees. For example:

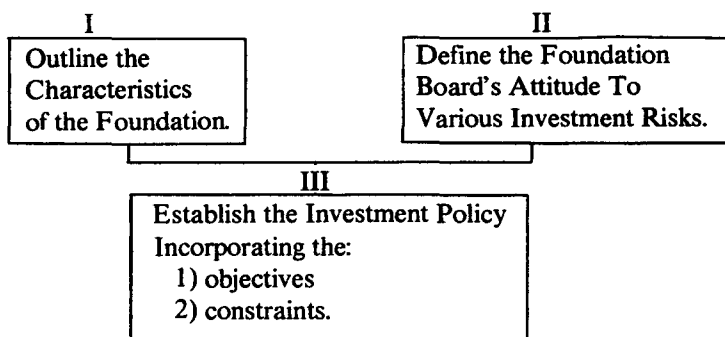
- donations from capital may be forbidden;
- certain types of investment may be prohibited;
- certain "socially undesirable" investments may be proscribed; and
- limits on the "volatility of return" may be placed on the portfolio's performance.

It can be seen that the 4.5 per cent disbursement quota is only *one* constraint, although one of the most important, on the investment management and donation processes.

All constraints must be discussed with the foundation board. The investment policy can then be established through the processes set out in Tables III and IV.

The purpose of the 4.5 per cent disbursement quota is to make sure that charitable foundations' donations are made on a consistent basis.

TABLE III
Deciding on Investment Policy: Stage I



Examples of considerations:

- I The foundation has an infinite life under its letters patent. There will be no capital contribution to the portfolio.

 - II A portfolio invested totally in equities will have a higher volatility of return than the portfolio invested totally in Treasury bills.

 - III 1) Objective:
 - a) A donation stream that, in real terms, remains constant for perpetuity (i.e., rises in line with inflation).
 - b) The real value of the portfolio assets is preserved.

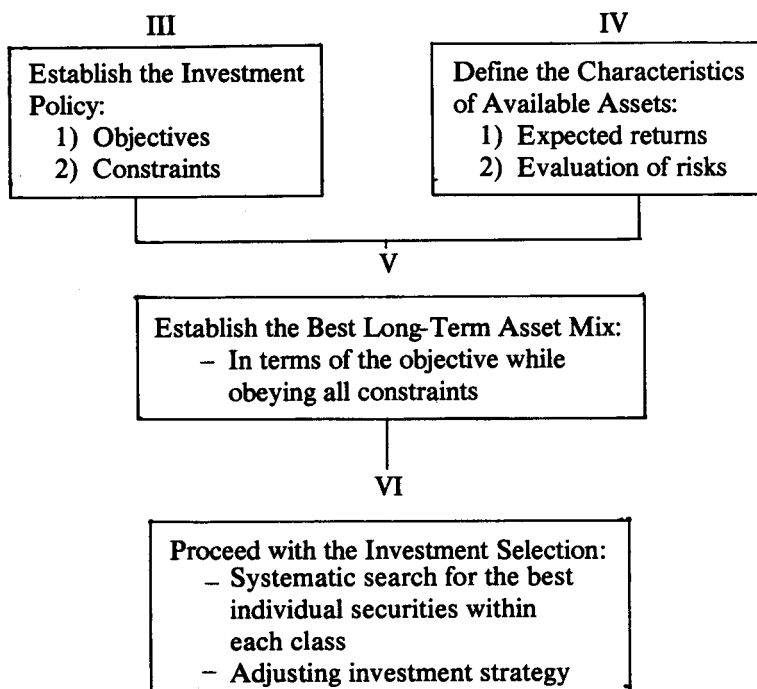
 - 2) The disbursement quota is the only constraint.
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The move to a 4.5 per cent disbursement quota based on the capital value of a foundation's assets has been viewed by many as a "concession" by the Department of Finance. In fact, the 4.5 per cent disbursement quota may be *more onerous* over the longer term than the 90 per cent rule. However, under the new rules there will be *more flexibility* to invest in assets that were previously not qualified investments and to invest in fixed-income assets with high current return as much more of that income will be available for *reinvestment*.

IV. The New Disbursement Quota: A Short Consideration of the Work of Fowler and Rorke

*Endowed Charitable Foundations in Canada: A Study of Spending and Investment Strategies Under Revenue Canada Regulations,*² a study by Professors David J. Fowler and C. Harvey Rorke, of McGill University, sets out the reasoning behind the statement that the 4.5 per cent quota may prove more, rather than less, onerous than previous requirements.

TABLE IV
Implementing Investment Policy: Stage II



- IV Having established the investment policy, the investment manager's job is to project the expected returns and volatility of investment asset classes and to investigate the viability of new asset classes.
- V The policy and the asset characteristics are then matched to decide on a "best mix" of assets.
- VI The investment manager monitors, and capitalizes on, opportunities that appear and changes strategy when advisable.
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This study points out that, whatever the rules for disbursement, historically it has been very difficult to achieve a long-term real return of three to 3.5 per cent, let alone the real return of 4.5 per cent which is now required to maintain donations and capital assets in *real* terms.

Fowler and Rorke: The Study Method

The study presumes that the goal of an endowed foundation is to maintain its *donations flow* over time in real terms so Fowler and Rorke reviewed the historical returns of various asset classes (bonds, Treasury bills, listed equities) along with the variability of those returns. They also developed a model to allow

the simulation of various portfolio returns in a mixture of different inflationary environments: “low” (average five per cent); “moderate” (average eight per cent); “high” (average 12 per cent).

They then considered the implications of the 90 per cent income- disbursement quota (assuming all assets held were “qualified”) and of the (then) proposed 4.5 per cent disbursement quota, for the long-term viability of endowed charitable foundations.

Fowler and Rorke: Conclusion

The conclusion of the study (which should be required reading for the investment committee and investment manager of every charitable foundation) is that, to allow a foundation portfolio to survive in the long term, the “legal payout should be set below the real returns to the portfolio . . .”³. Thus, to survive under the new legislation, a foundation must earn more than the required 4.5 per cent payout.

My example:

1. The payout ratio is 4.5 per cent of capital value of the assets at the beginning of year one.
2. Inflation is running at five per cent in year one.
3. The total return (capital and income) of the portfolio in year one is 9.5 per cent.
4. The foundation can meet the 4.5 per cent payout, reinvest the additional five per cent (9.5 per cent – 4.5 per cent) and be “whole” for the start of year two.

However, it is obviously better if:

1. The disbursement quota is 4.5 per cent.
2. Inflation is five per cent.
3. The return is 12.5 per cent.

Now, 12.5 per cent minus 4.5 per cent equals eight per cent which is three per cent above the inflation rate. This *augments* the real capital which can be reinvested, thus increasing the opportunities for survival of the foundation’s long-term donation stream.

Fowler and Rorke point out that the higher the legal payout requirement (disbursement quota), the higher will be the required investment return, and with the higher return, the higher will be the risk (risk being measured by the degree of volatility) that will have to be assumed in order to achieve that higher return. Further, the effect of the variability of the return increases the *average* return necessary to maintain a constant donation stream in real terms.

Using the “historical relationships which exist between dividends, interest, capital gains and inflation over time . . .”⁴, they produced simulations which resulted in the following conclusions:

1. An all-equity portfolio can meet the 4.5 per cent minimum payout and survive in real terms (both in capital terms and in donation-flow terms) over the longer term, but there will be little opportunity for real capital accumulation.
2. If debt instruments in the form of Treasury bills make up 40 per cent of the portfolio, the real return falls below the 4.5 per cent figure and the life of the portfolio is threatened over the longer term.

Thus, ironically, the old 90 per cent rule may have been better for the long-term health of foundation portfolios because:

1. Historically, equities have provided the highest long-term real rates of return;
2. Canadian equities are (under present legislation) “qualified” assets;
3. If the Toronto Stock Exchange Comparative Index is currently yielding 3.7 per cent gross, 90 per cent of 3.7 per cent (excluding various expenses) is 3.3 per cent and this falls comfortably within the conclusions of the study that an all-equity portfolio could disburse three to 3.5 per cent of its value annually and survive in real terms.

Pragmatically, however, it should be noted that there are very few foundation trustees or investment managers who could live with the volatility of the capital value of a portfolio that was 100 per cent invested in equities.

Moreover, Fowler and Rorke have a sobering fifth chapter which is not based on simulations of the future but, instead, investigates possible portfolio strategies using actual returns from 1963 to 1980 in Canada. In that 17-year period, it would have been very difficult to meet the 4.5 per cent disbursement quota if the foundation had followed the 100 per cent equity route under such “selection” processes as:

1. buy and hold;
2. rebalancing; or
3. random selection.

Fortunately, intelligent portfolio management should be able to help foundations to survive, always remembering that certain asset classes provide a better chance to attain higher real returns over the longer term.

V. Characteristics of Asset Classes: Returns, Volatility, Marketability

An examination of the characteristics of various asset classes will enable us to develop portfolio strategies which would allow a foundation board to establish objectives, constraints and guidelines under the new 4.5 per cent disbursement quota.

Tables V through VIII explore the annual compounded rates of return, the volatility of returns, and the liquidity of various types of assets during various periods of time.

The overall conclusion, which can be drawn from a study of these tables, is that: equity and ownership (equity-related) vehicles and other inflation-adjusting vehicles (e.g., term loans at prime plus X per cent) provide superior real returns, but at an increased risk (i.e., volatility) and require the surrender of liquidity. This reiterates the conclusions of Fowler and Rorke, but it also suggests that there are other investment categories (such as real estate and venture capital) that would add to the available asset choices for endowed foundations which are striving to meet the goal of a 4.5 per cent real return.

International diversification through equity investments in countries in the Far East and Europe has added to the absolute returns of portfolios and decreased the volatility of that return. This is outlined in Table VIII. The figures measure the compounded nominal rates of return for an “all equity” portfolio.

Table VIII requires some explanation:

Look at Column “IV” under Compounded Annual Rates of Return for the years 1974-1983. This shows that if a foundation had invested only in the CIP (Capital International Perspective) Canadian index of stocks, the return would have been 15.35 per cent. A change which puts 90 per cent of the portfolio in Canadian equities and 10 per cent in the Standard and Poor 500 (U.S.) Index increases the return to 15.43 per cent. However, had five per cent been placed in the S&P and five per cent in the Europe and Far East (EAFE) Index, the return would have risen to 15.52 per cent.

Finally, if 90 per cent had been in Canadian stocks and 10 per cent in the EAFE Index the return would have been 15.62 per cent.

Now look at Column IV under Risk Reduction. On an indexed basis, you will see that the movement from a 100 per cent Canadian equity portfolio to the other asset combinations always lowered the risk (volatility of return). This is because the correlations, or linkages, between movements of the various markets are not perfect.

During the years 1979 and 1980, Montreal Investment Management instituted the “Real Estate Investment Study” which produced the following figures dealing with rates of return from institutional real estate:

1. In the United States as calculated by McMahon & Associates:

1951-1978	
Nominal:	13.9%
Real:	10.3%

2. In Canada as calculated by Woods Gordon:

1966–1976	
Nominal:	13.2%
Real:	7.0%

And more recently:

3. In Canada the Morguard property index reported the following returns:

1972—1982	
Nominal:	16.6%
Real:	6.9%

These results are based on investment in income-producing institutional real estate. They highlight the ability of well placed real estate to adjust its income to the inflationary environment because of:

1) rising contractual rental increases

2) lease reversions.

These figures suggest that foundations operating under the 4.5 per cent rule should give serious consideration to investment in high quality, income-producing real estate.

Other investment areas developing in Canada include:

- venture capital
- oil and gas ownership
- precious metals.

Although the last two fields may be of marginal interest to foundations, it should be noted that the purpose of investing in venture capital pools is to increase the portfolio return while decreasing the risk (volatility). *Venture Economics* in the United States produced a study in 1980 which showed excellent returns from a group of professionally managed venture capital pools.

Although no studies, to my knowledge, have covered the correlation and volatility of venture capital returns, it is my view that the correlation with equity and bond markets is very low. The volatility of the returns would be higher than that for “small stocks” while the liquidity is marginal.

VI. Possible Portfolio Strategies Under the 4.5 Per Cent Disbursement Quota

To show how all this material can be used to develop a foundation's portfolio, Tables IX, X and XI set out three portfolio structures, using the long-term asset characteristics already discussed:

Defensive – stressing lower volatility and higher liquidity;

Dynamic – stressing higher real return but substantially increasing the volatility and reducing the liquidity; and

Balanced – taking a “middle road”.

Tables IX, X and XI show that, over time, the simulated “defensive” portfolio would fall far short of the required 4.5 per cent real return needed to preserve the foundation's assets. The “dynamic” portfolio would *add* incremental real return to the portfolio of three per cent ($7.5\% - 4.5\% = 3.0\%$), but with a dramatic increase in volatility while the liquidity drops so that at market “troughs” there might be a twofold problem:

- a) a sharply lowered interim value for the portfolio; and
- b) liquidity problems when capital is needed to maintain donations.

The “balanced” portfolio has a 60 per cent weighting towards equity and would seem to produce a return slightly higher than the 4.5 per cent required for maintenance of both assets and donations at constant levels.

It should be pointed out that the results of these three portfolios do not agree totally with those achieved by Professors Fowler and Rorke in their simulations. They are merely set out to show the importance of equity and equity-related investments to foundation portfolios. However, at this time (somewhat at variance with historical experience), Treasury bills are providing a high real return in the very short term.

History is made up of many short-term periods, but in establishing a foundation portfolio philosophy, we must remember that investment management strategies should be able to take advantage of intermediate-term opportunities as well.

VII. Conclusion

Over the longer term, the 4.5 per cent disbursement quota is not as fair to foundations as might appear at first glance. However, it is possible with good planning (and some luck) to establish a long-term portfolio structure that recognizes and deals effectively with the problems that arise from the new rules.

TABLE V
Long-Term Rate of Return, Volatility,
and Relative Liquidity of Selected U.S. Investments

Type of Investment	Nominal ROR (%)	Volatility (%) (Standard Deviation)	Relative Liquidity*
Treasury Bills	3.1	3.2	100
Long-Term Government Bonds	3.5 *	7.4	90
Long-Term Corporate Bonds	4.2 *	7.6	70
Equities of Large Companies	9.3	21.5	60
Equities of Small Companies	12.4	36.7	40
Consumer Price Index (CPI)	3.0	5.0	
Canadian Real Estate	16.6	6.2	10
1972-1982 Cdn. CPI	9.7		

* This is somewhat “notional” and represents the intuitive figures placed on relative liquidity by the partners at Montreal Investment Management Inc.

Sources: – Ibbotson & Sinquefeld, *Stocks, Bonds, Bills and Inflation . . .*, 1926–1982, (U.S.A. data)

– Montreal Investment Management Inc.

– Morguard Properties

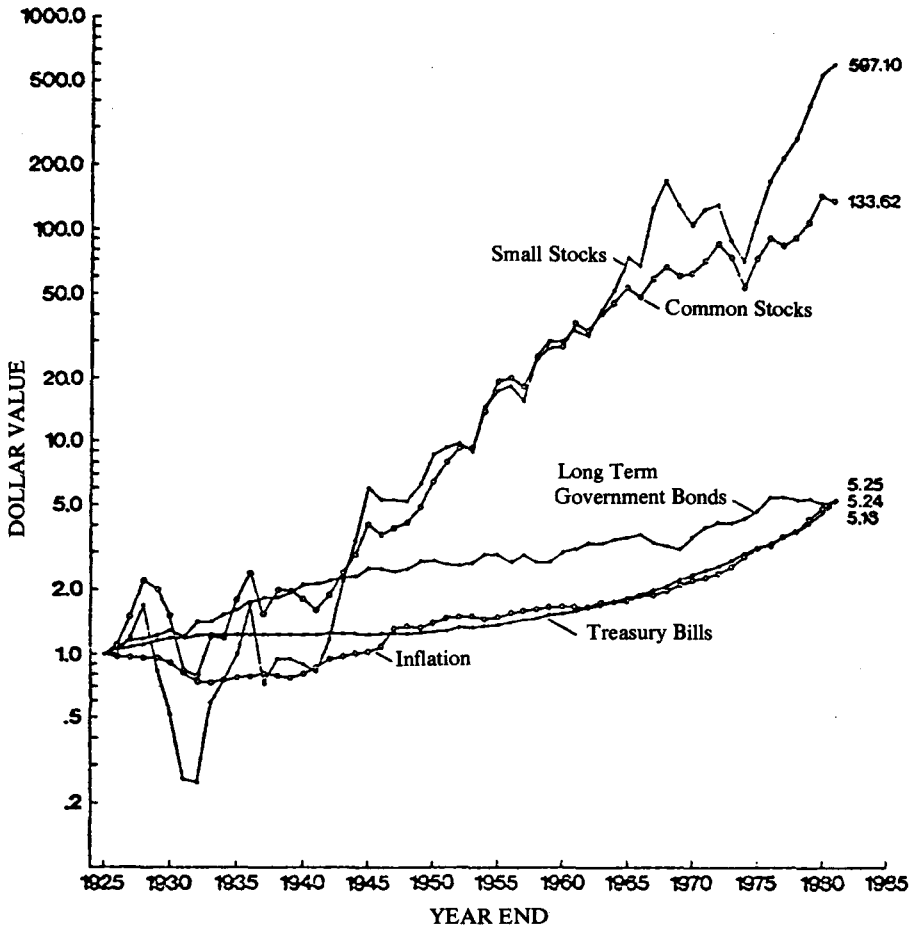
– Penreal Advisors Ltd.

Note: The latest material from Ibbotson *et al* (to December 1982) shows a marked increase in the real return for bonds compared to the data ending December 1981. There was also a concomitant rise in the volatility of that return.

TABLE VI

(Table V illustrates that the long-term corporate bond return provided only a small default risk premium over the rate of inflation, whereas common stocks, in general, produced a real rate of over 6 per cent per annum and small stocks, a real rate of 9 per cent per annum. The dramatic difference is illustrated in the following chart.)

EXHIBIT I
Wealth Indices of Investments
in the U.S. Capital Markets (1926-1981)



Source — Ibbotson & Sinquefeld

TABLE VII

(Tables IV and V cover predominantly U.S. experience, while the following material covers Canadian assets specifically, with data ending in 1983 and 1982.)

**Nominal Annualized Rates of Return of Various
Asset Classes in Canada for Various Periods
ending December 1983**

	25 Years Dec.1959 Dec.1983 (%)	20 Years Dec.1963 Dec.1983 (%)	15 Years Dec.1968 Dec.1983 (%)	10 Years Dec.1973 Dec.1983 (%)	5 Years Dec.1978 Dec.1983 (%)
Common Stocks (TSEC)	10.52	10.98	10.49	12.97	19.31
Conventional Mortgages (5-Year Term) (MYW)	8.20	8.91	10.33	11.46	13.65
90 Day Prime Corporate Paper (MYW)	7.93	8.88	9.96	11.76	14.46
MYW 40/Weighted Long Bond Index	6.14	6.43	8.18	8.56	9.47
Prime + 1 1/2% (MIM) (as a proxy for term loans)	10.64	11.46	12.70	14.56	17.44
C.P.I. (MIM)	5.56	6.67	7.81	9.22	9.35

Sources — McLeod Young Weir Limited (MYW)

Montreal Investment Management Inc. (MIM)

TABLE VIII
Canadian Simulations

(Prepared by Intersec Research Corp. for Montreal Investment Management Inc. and European And Pacific Management Inc.)

	Compounded Annual Rates of Return			Risk Reduction*		
	I (%)	II (%)	IV (%)	I (%)	II (%)	IV (%)
Canada (CIP Index)						
1959-1983	6.14	10.24	10.24	100.0	100.0	100.0
1969-1983	7.10	11.52	11.52	100.0	100.0	100.0
1974-1983	10.52	15.35	<u>15.35</u>	100.0	100.0	<u>100.0</u>
1979-1983	11.46	16.11	16.11	100.0	100.0	100.0
1983	29.47	33.70	33.70	100.0	100.0	100.0
Can-90%; S&P-500-10%						
1959-1983	5.92	10.02	10.08	97.24	97.24	96.94
1969-1983	6.76	11.21	11.38	96.42	96.43	95.88
1974-1983	10.21	15.11	<u>15.43</u>	95.69	95.70	<u>94.83</u>
1979-1983	11.47	16.25	16.41	94.88	94.88	93.78
1983	28.26	32.59	32.63	94.81	94.83	94.65
Can-90%; S&P-5%; EAFE-5%						
1959-1983	6.01	10.11	10.22	95.66	95.66	95.55
1969-1983	6.87	11.30	11.56	95.17	95.18	94.95
1974-1983	10.32	15.17	<u>15.52</u>	94.41	94.42	<u>93.91</u>
1979-1983	11.53	16.24	16.05	93.87	93.87	93.39
1983	28.86	33.14	32.77	93.58	93.59	93.52
Can-90%; EAFE-10%						
1959-1983	6.09	10.20	10.36	94.23	94.24	94.33
1969-1983	6.98	11.38	11.73	94.04	94.04	94.19
1974-1983	10.43	15.24	<u>15.60</u>	93.23	93.23	<u>93.15</u>
1979-1983	11.59	16.23	15.68	92.94	92.94	93.11
1983	29.47	33.69	32.91	92.42	92.43	92.49

I — Local currency, market returns (excluding dividends)

II — Local currency, total return

IV — Canadian \$, total return

* Standard deviation relative to standard deviation of Canadian Stock Market.

Note: International Indices used in simulations were CIP Indices. All data are "most probable" results, that is, the average of all possible one-year or longer holding periods within the interval measured.

TABLE IX
Defensive Portfolio

Type of Investment	Portfolio Weighting (%)	Historical Real ROR (%)	Historical Volatility (%)	Liquidity*
Treasury Bills	25			
Long-Term Government Bonds	20			
Long-Term Corporate Bonds	20			
Equities of Large Companies	20			
Equities of Small Companies	10			
Real Estate	5			
	100	2.9	12	74

TABLE X
Dynamic Portfolio

Treasury Bills	0			
Long-Term Government Bonds	0			
Long-Term Corporate Bonds	20			
Equities of Large Companies	10			
Equities of Small Companies	50			
Real Estate	20			
	100	7.5	24	42

* 100 is total liquidity; 0 is total illiquidity.

TABLE XI
Balanced Portfolio

Type of Investment	Portfolio Weighting (%)	Historical Real ROR (%)	Historical Volatility (%)	Liquidity*
Treasury Bills	10			
Long-Term Government Bonds	10			
Long-Term Corporate Bonds	20			
Equities of Large Companies	20			
Equities of Small Companies	30			
Real Estate	10			
	100	5.4	18	58

* 100 is total liquidity: 0 is total illiquidity.

FOOTNOTES

1. Example: Foundation X holds \$1,000,000 of assets that are not "qualified" at the beginning of 1983. The foundation must disburse 90 per cent of income or five per cent of the capital value of these assets in 1984, whichever is greater. On January 15, 1984, it sells its entire holding of assets that are not "qualified" and puts the proceeds into "qualified" assets, 90 per cent of the income of which it must disburse. Now it must disburse five per cent of \$1,000,000 *plus* 90 per cent of the income received from the newly acquired qualified assets purchased on January 15, 1984.
2. David J. Fowler and C. Harvey Rorke, *Endowed Charitable Foundations in Canada: A Study of Spending and Investment Strategies Under Revenue Canada Regulations*, Toronto: The Canadian Centre for Philanthropy, 1982.

(Editor's Note: For a short summary and review of Fowler and Rorke's

study see *The Philanthropist*, Summer 1983. A copy of the study may be obtained from:

The Canadian Centre for Philanthropy
185 Bay Street, Suite 504
Toronto, Ontario
M5J 1K6

The price (prepaid) is:
\$20 for Associates of the Centre
\$40 for others.)

3. *Ibid.*, p. 33.

4. *Ibid.*, p. 57.