

# The Charity Report

*Your independent news source in the charity sector*

## Accumulated Assets: Canada's Private Foundations

- ▶ Is it time to review the regulation of private foundations in Canada?
- ▶ How much funding would an increase in the disbursement quota from 3.5% to 10% for five years generate, for example?
- ▶ What kind of charity sector do Canadians want?

The Charity Report looks at the context and the numbers.

The past two decades has borne witness to a growing gap between the rich and poor, between the wealthy and the needs of civil society.

In the charity sector specifically, as the wealth of tax-payer subsidized private foundations amasses, our country and its people are weakened by homelessness, racism, poverty, violence against women, feelings of alienation among disenfranchised youth, lack of support for people experiencing mental illness, and the unanswered call for redress and ongoing support to our Indigenous communities.

Many more resources are needed.



Now, the COVID 19 pandemic has stripped away the façade of equality and underscored the wealth gap.

Death and injury in police custody has highlighted the systemic racism in the Canada and the U.S. Societies all over the world are crying out for reform.

In the equity context, we examine the practice of tax-payer subsidized private foundations, and the tiny percentage of wealth they distribute each year, asking the question,

**“Does the status quo represent the charity sector Canadians want?”**



In a recent Ipsos poll, when specifically asked about raising the disbursement quota\* for foundations to 10%, the vast majority (87%) of Canadians agreed with this idea, with just 13% disagreeing.

\* Disbursement quota was defined for respondents. The disbursement quota is the minimum calculated amount that a registered charity is required to spend each year on its own charitable programs or on gifts to qualified donees, such as other registered charities. In Canada, the DQ is 3.5%.

\*a definition of the disbursement quota was provided to respondents

There are close to 6,000 private foundations in Canada.

About 95% of their total wealth is held by 5% of foundations.

ITA regulations hold that foundations must disburse 3.5% of their assets a year

We looked at the top 500 private foundations by assets and how much of their funds are being disbursed.

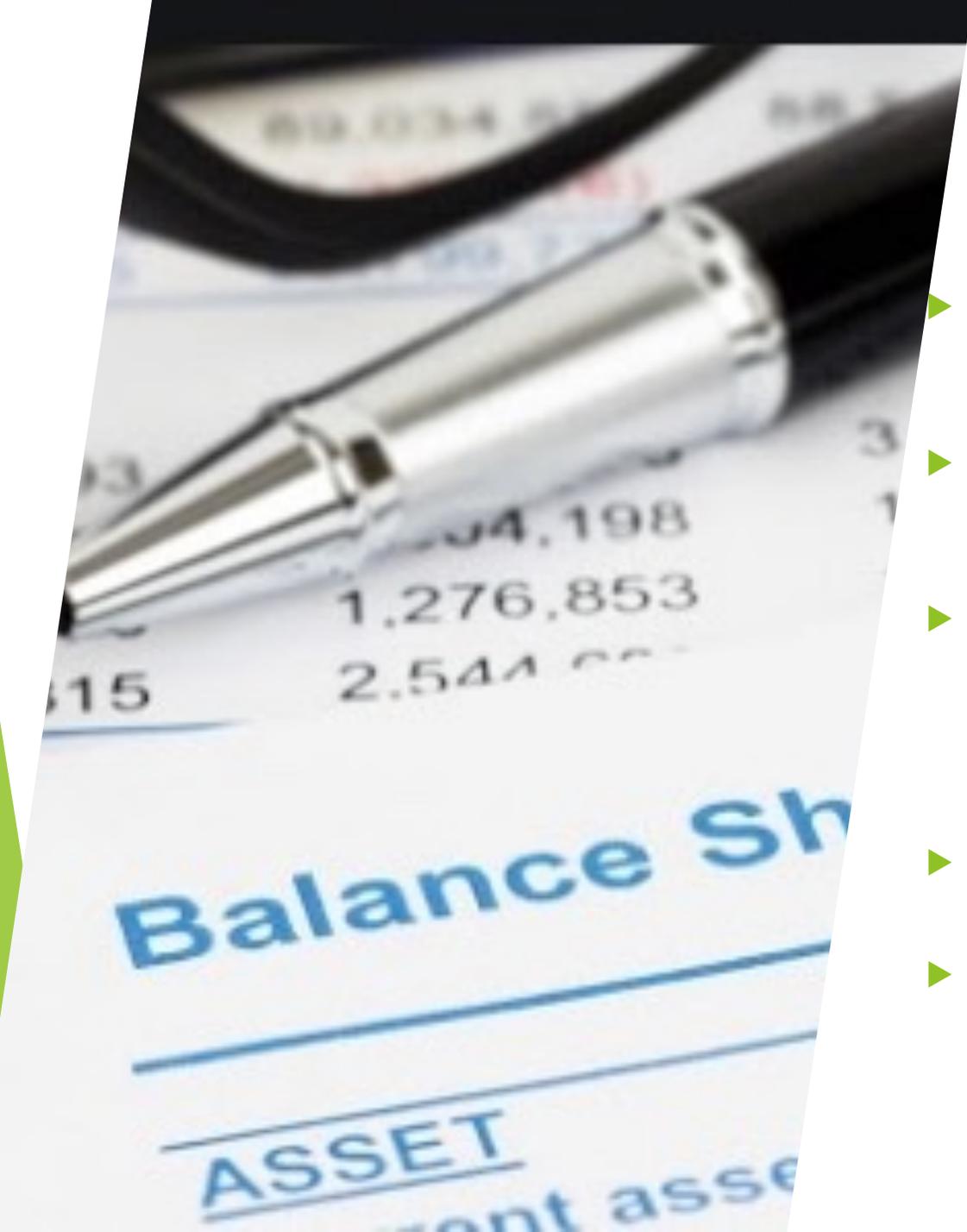


# The Question

How much additional funding could be generated over five years by having a 10% disbursement quota, specifically from private foundations?

# The Analysis

1. Canada's 500 largest foundations were identified by the amount of their assets, as disclosed on their 2018 T3010s.
2. Reports from Philanthropic Foundations Canada (PFC) were reviewed.
3. Corporate, public and hospital (or specific purpose) foundations were omitted for the purposes of this report. They will be addressed elsewhere.
4. The top 245 private foundations accounted for 97% of the assets of the top 500 private foundations, so they were made the focus of further study.
5. The top 245 private foundations were then categorized by the percentage of their disbursements
6. Special note was made of total expenditures, amount disbursed to qualified donees, and amount of tax-creditable receipts issued over the past ten years.

A close-up photograph of a silver pen resting on a document. The document contains financial data, including the words 'Balance Sheet' and 'ASSET' in blue ink. Numbers like '4,198', '1,276,853', and '2,544' are visible. The image is partially obscured by a white diagonal shape on the right side of the slide.

# Base Findings

- ▶ The combined assets of Canada's top 245 private foundations was 42 billion in 2018
- ▶ The combined assets of the next 255 largest private foundations was 1.3 billion in 2018
- ▶ The top 10 private foundations in Canada held 29.8 billion in assets in 2018, which exceeded the 2018 budgets of the four Atlantic provinces combined (28.9 billion)
- ▶ One foundation had assets of 23 billion in 2018
- ▶ The top 245 private foundations issued 7 billion in tax-creditable receipts between 2009 and 2018

# Top 245 private foundations categorized by their disbursement behavior: summary

DISBURSEMENT CATEGORY TOP 245 PRIVATE FOUNDATIONS	NUMBER OF FOUNDATIONS	COMBINED ASSETS	PERCENTAGE OF TOP 245 ASSETS
Private Foundations Currently Disbursing 0% - 3.5%	28	27,991,991,625	67%
Private Foundations Currently Disbursing 3.5% - 5%	76	8,367,891,883	20%
Private Foundations Currently Disbursing 5% - 10%	76	3,367,551,450	8%
Private Foundations Currently Disbursing 10% - 25%	65	2,241,933,091	5%
<b>Totals</b>	<b>245</b>	<b>41,969,368,049</b>	<b>100%</b>

# Foundations currently disbursing less than 3.5% of assets

11% (28) of the top 245 private foundations disbursed less than 3.5% of their assets in 2018. Their assets accounted for 67% (28 billion) of the total assets of the top 245 foundations.

This cohort disbursed a combined 1.8% (\$504 million) of their assets in 2018

33% of the cohort's expenditures was directed towards qualified donees; 67% was spent on their own charitable activities or management and administration

171 million in tax-creditable receipts were issued by this group in 2018, making their net contribution to the charity economy 333 million (or 1.1% of assets).



Raising the disbursement quota to 10% for the “less than 3.5%” cohort could inject an additional 11.5 billion from private foundations into the charity economy over five years.

Meeting the existing 3.5% disbursement quota could add 2.4 billion from private foundations for the charity economy over 5 years.

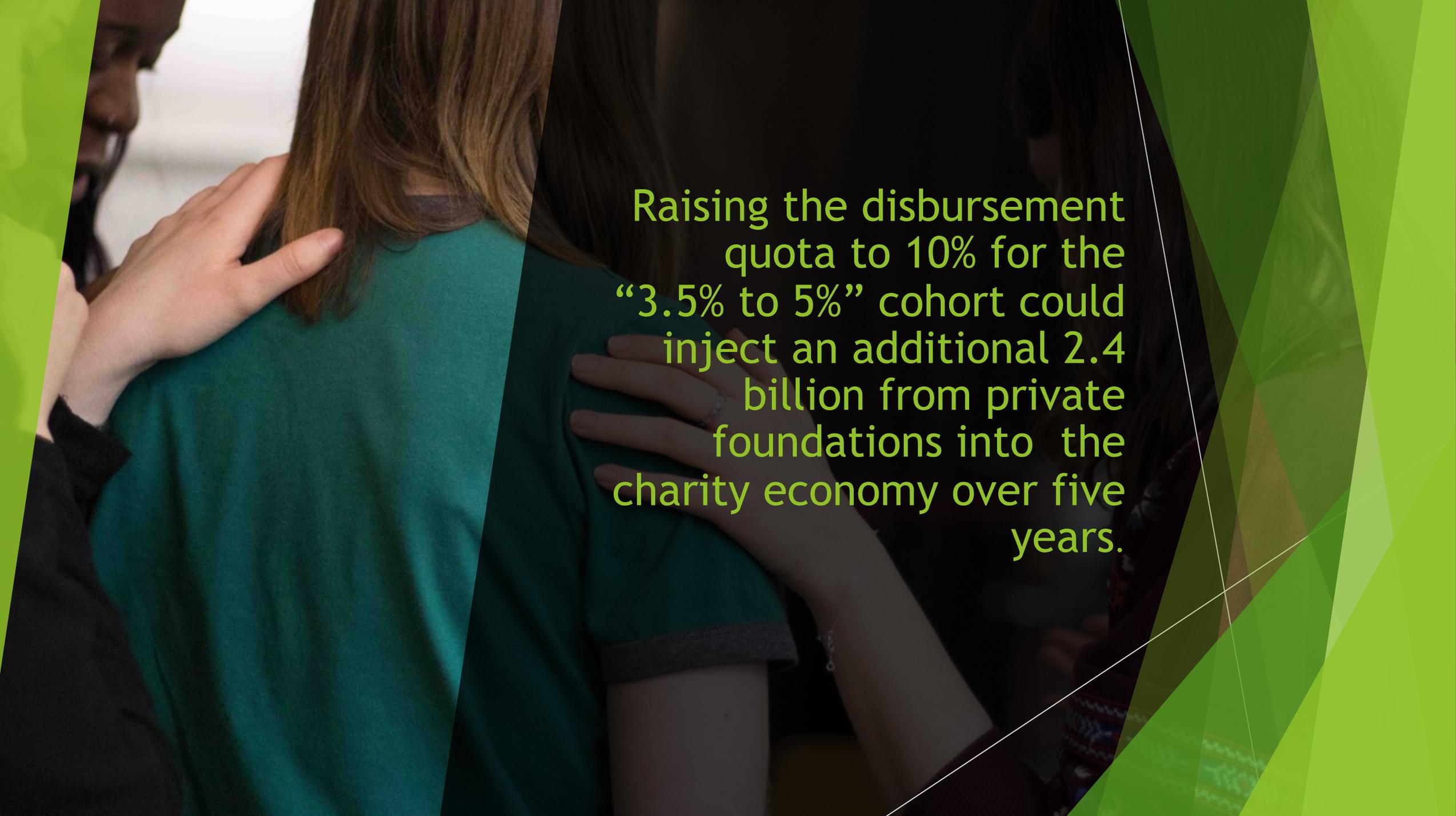
# Foundations currently disbursing between 3.5% and 5% of assets

31% (76) of the top 245 private foundations disbursed between 3.5% and 5% of their assets in 2018. Their assets accounted for 20% (8.4 billion) of the total assets of the top 245 foundations.

This cohort disbursed an average of 4.3% (360 million) of their assets in 2018

82% of this cohort's expenditures was directed towards qualified donees; 18% was spent on their own charitable activities or management and administration

161 million in tax-creditable receipts were issued by this group in 2018, making their net contribution to the charity economy 199 million (or 2.4% of assets).

A photograph of a woman with long brown hair, wearing a teal-colored t-shirt, is shown from the back. She is being comforted by two people: one person's hand is on her left shoulder, and another person's hand is on her right shoulder. The background is dark and out of focus. The image is overlaid with a green geometric pattern on the right side, consisting of various shades of green and black triangles and polygons.

Raising the disbursement quota to 10% for the “3.5% to 5%” cohort could inject an additional 2.4 billion from private foundations into the charity economy over five years.

## Foundations currently disbursing between 5% to 10% of assets

31% (76) of the top 245 private foundations disbursed between 5% and 10% of their assets in 2018. Their assets accounted for 8% (3.4 billion) of the total assets of the top 245 foundations.

The cohort disbursed on average 6.9 % (232 million) of their assets in 2018

79% of the cohort's expenditures was directed towards qualified donees; 21% was spent on their own charitable activities or management and administration

147 million in tax-creditable receipts were issued by this group in 2018, making their net contribution to the charity economy 84 million (or 2.5% of assets).



Raising the disbursement quota to 10% for the “5% to 10%” cohort could inject 529 million from private foundations into the charity economy over five years.

## Foundations currently disbursing between 10% and 25% of assets

27% (65) of the top 245 private foundations disbursed between 10% and 25% of their assets in 2018. Their assets accounted for 5% (2.5 billion) of the total assets of the top 245 foundations.

The cohort disbursed on average 13.7% (307 million) of their assets in 2018

74% of this cohort's expenditures was directed towards qualified donees; 26% was spent on their own charitable activities or management and administration

87 million in tax-creditable receipts were issued by this group in 2018, making their net contribution to the charity economy 220 million (or 9.8% of assets).



Private foundations currently disbursing between 10% and 25% would not be affected by a DQ increase to 10%

# Impact of a 10% disbursement quota over 5 years: summary

TOP 245 FOUNDATIONS: DISBURSEMENT CATEGORY	CURRENT ANNUAL EXPENDITURE	CURRENT ANNUAL EXPENDITURE OVER 5 YEARS	ADDITIONAL EXPENDITURE OVER 5 YEARS WITH 10% DQ	TOTAL NOTIONAL 5-YEAR EXPENDITURE WITH 10% DQ
Foundations Currently Disbursing 0% - 3.5%	504,174,375	2,520,871,875	11,475,123,938	<b>13,995,995,813</b>
Foundations Currently Disbursing 3.5% - 5%	360,286,734	1,801,433,670	2,382,512,272	<b>4,183,945,942</b>
Foundations Currently Disbursing 5% - 10%	231,573,527	1,157,867,635	529,461,505	<b>1,687,329,140</b>
Foundations Currently Disbursing 10% - 25%	307,444,638	1,537,223,188	0	<b>1,537,223,188</b>
<b>Totals</b>	<b>1,403,479,274</b>	<b>7,017,396,368</b>	<b>14,387,097,714</b>	<b>21,404,494,082</b>

A photograph of three women smiling and talking, overlaid on a green and blue geometric background. The women are in the foreground, slightly out of focus, and appear to be in a social setting. The background features abstract green and blue shapes.

A 10% increase in the disbursement quota could generate an additional 14.4 billion from private foundations for the charity sector over five years.



The Charity Report's full report on private foundations, community foundations and donor advised funds, and the funds they hold and disperse, will be available for subscribers by June 15, 2020.

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