

PENNIES ON THE  
DOLLAR:  
PRIVATE  
FOUNDATION  
GIVING IN  
CANADA  
2006 - 2019

AN INTELLIGENCE  
REPORT  
VOL 2, NO 3  
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# The Charity Report

*Your independent news source in the charity sector*

*Pennies on the Dollar: Private Foundation Giving in Canada*

An Intelligence Report, Vol 2, No 3

September 2021

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**PENNIES ON THE DOLLAR: PRIVATE  
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# INTRODUCTION

In the context of the Ministry of Finance's consultation around the disbursement quota (DQ), the full measure of how confusing the calculations are that go into determining the DQ is coming into sharp focus. Well beyond the reach of even the most seasoned sector observer, it arguably misses the mark in terms of accountability and transparency. Very few people in the charity sector are well-versed (or paid highly paid) enough to fully understand the calculations.

In a [backgrounder](#) to the recently announced [disbursement quota consultation](#), the department of finance says the disbursement quota, introduced in 1976, included the regulation that private foundations must have a minimum expenditure requirement of 5% based upon the value of any property not used in charitable programs or administration. The amount was subsequently lowered to 4.5% and extended to public foundations in the 1980s.

In 2004, as part of a broader reform *Income Tax Act* rules regarding charities, the disbursement quota was reduced from 4.5% to its current level of 3.5%, a 3.5%

return being considered “typical” for an investment portfolio held by a registered charity. In an email to The Charity Report, the CRA offered the following explanation of how the DQ is calculated:

“In Schedule 6, detailed financial information, of [Form T3010, Registered Charity Information Return](#), charities are required to report *the value of property not used for their charitable activities or administration* (italics ours) on line 5900. For the purposes of calculating the disbursement quota, the amount reported on **line 5900** for the fiscal period in question must be multiplied by 3.5%. The result of the equation is the charity’s disbursement quota for that given year. “ (The calculation of how one calculates the the value of property not used for their charitable activities or administration or verifies that value is not clear.)

“A charity’s disbursement quota is met if the total of the following three expenditures equals or exceeds the calculated disbursement quota:

- **Line 5000:** amounts spent on charitable programs;
- **Line 5050:** gifts made to qualified donees minus any [designated gifts](#); and,
- **Line 5750:** amount of the special reduction approved in writing by the CRA for the fiscal period.”

“Charities are permitted to have a disbursement shortfall for any particular year, provided they are able to cover that shortfall in the following year or had a suitable excess from the previous 5 years.”

“The onus is on the charity to ensure it meets their disbursement quota. However, when the CRA conducts an audit, compliance to the disbursement quota is reviewed.”

“If the CRA identifies disbursement shortfalls, we use an education-first approach where possible. This means the CRA will generally give a charity the chance to correct its non-compliance through education or a compliance agreement before it resorts to other measures, such as sanctions or revocation. The facts of the charity’s case will determine which compliance approach the CRA will take.”

*It’s hard to determine what is reasonable and fair when so much energy is being put into shaving a percentage point here and there, when half a percentage point either way can mean hundreds of millions of dollars for people and organizations that are desperate.*

## “...focusing on dollars”

As a result, The Charity Report has made the decision to begin reporting on this issue in relation to the dollar amounts at stake. The value of money is something the average person understands.

And as Nobel Prize Laureate Angus Deaton [points out in his research on inequity](#), studying percentages is a poor way to study equity. And in looking at the charity foundation spending, percentages don't tell the story. And as Nobel Prize Laureate Angus Deaton [points out in his research on inequity](#), studying averages is a poor way to study equity. And in looking at the charity foundation spending, averages don't tell the story. Especially since many of the mid-range foundations in Canada use their structure more as an annual fund, putting in the approximate amount of money they intend to spend that year, and so whose DQ could be 90%.



# METHODOLOGY

We are looking in detail at the behaviour of the top 20 private foundations from 2006 to 2019. The gross asset value of the the top 20 foundations is equivalent to about 60% of the value of all 5,800 private foundations. Looking in detail at this smaller number allows us to follow where most resources are being spent, in other words, “following the money.”

The top 20 foundations were determined through a data extraction from CRA-supplied T3010 information.

We have chosen to cover 15 years of activity from 2006 to 2019. Although some 2020 data was available, we chose to stick with the data sets that are complete based upon our communication with CRA, who told us as many organizations have not yet filed 2020 returns or have filed returns that are still being processed.

For each foundation, we examined:

- Gross asset value
- Liabilities
- Expenditures
- Amount spent on charitable activities
- Amount spent on management and administration
- Amount spent on gifts to qualified donees
- Amount of revenue generated by issuing tax receipts.
- Growth in asset value dollar value over 15 years
- Growth in expenditure dollar value over 15 years
- The value of property not used for their charitable activities or administration (although we are not entirely clear on how this is determined)

And we compared:

- Gross asset value versus expenditures
- Expenditures versus amount spent on qualified donees
- Amount spent on qualified donees versus amount issued in tax receipts (in other words dollars going out versus dollars coming in)
- The value of property not used for their charitable activities or administration vs gross asset value



# EXECUTIVE SUMMARY

The gross asset value of the top 20 private foundations in Canada is equivalent to 62% of the entire gross asset value of all private foundations. Of 74.5 billion in combined gross asset value, the top 20 owned 44.5 billion. Studying their behaviour in detail does, we believe, give us a clearer picture of how the majority of private foundations resources are spent, how much they earned compared to what they give away, how they are using the tax credit system, and whether the taxpayer is getting a good return on their investment.

Generally speaking, these largest foundations were spending less than pennies on the dollar. With combined asset values of 44.5 billion, they jointly gave away just over 700 million. That would be the equivalent of someone with a net income of about 450 thousand dollars a year giving away about 7 thousand dollars to charity. It is, of course, their perfect right not to share their wealth in what some would consider a measly or ungenerous way. But their practice would, in no way, extend to them the moniker of being “charitable” and rightly so.

Yet, such is the current situation with Canada’s largest private foundations. The tiny slice of their wealth they chose to give away might indeed fall under the letter of the law, but whether they should be graced with the signature of “charity” is another question entirely.

Our report also found the use of the charitable tax credit was not, over the span of the 15 years we looked, not necessarily beneficial to the Canadian taxpayer. Thirteen foundations collectively made 1.43 billion in grants at the same time collectively issuing \$3.23 billion in tax creditable receipts paid for by the Canadian taxpayer. It gives the impression the Canadian population would have more money in its treasury and be better positioned to spend that money on the common good if several of these foundations simply did not exist. They are taking more than they are giving.

Generally speaking, we also think that improving accountability and transparency, we think simplifying the way in which the disbursement quota is calculated could be considered. After several conversations with the CRA, we still did not understand the calculation resulting in *the value of property not used for their charitable activities or administration* and how it can be verified. We consider ourselves above average consumers of tax data on charities, so if we're stumped ...

TOP 20 FOUNDATIONS  
DETAIL: EXPENDITURE  
2006 - 2019

# THE STORY



# CHARITIES IN CANADA: A SNAPSHOT

Each of the approximately 84,000 charities in Canada fall under one of 3 designations\*:

- Public Foundations: Designation Code A – approximately 4,900\*
- Private Foundations: Designation Code B – approximately 5,800\*
- Charitable organizations: Designation Code C – approximately 73,000\*

\*Based upon 2019 CRA information



# DEFINITIONS

A. Public foundation	B. Private Foundation	C. Charitable organization
<p>A public foundation is established as a corporation or a trust, has exclusively charitable purposes, generally gives more than 50% of its income annually to other <u>qualified donees</u>, (e.g., registered charities), but it may carry out some of its own charitable activities, more than 50% of its governing officials must be at <u>arm's length</u> with each other, generally <i>receives its funding from a variety of arm's length donors</i>, its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials</p>	<p>A private foundation is established as a corporation or a trust, has exclusively charitable purposes, carries on its own charitable activities and/or funds other <u>qualified donees</u>, (e.g., registered charities), may have 50% or more of its governing officials <b>not</b> at <u>arm's length</u> with each other, generally receives the majority of its funding from a donor or <i>a group of donors that are not at arm's length</i>, its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials</p>	<p>A charitable organization is established as a corporation, a trust, or under a constitution has exclusively charitable purposes, primarily carries on its own charitable activities, but may also gift funds to other <u>qualified donees</u>, (e.g., registered charities) more than 50% of its governing officials must be at <u>arm's length</u> with each other generally receives its funding from a variety of arm's length donors, its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials</p>

Source: <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/charities-giving-glossary.html>



# THE UPSHOT

The primary difference between public and private foundations is that private foundations may have more than 50% of its board members who are non-arms length, family members, for example, and they do. Most private foundations are run by 3 or 4 family members.

Public foundations may *not* have more than 50% of its board members who are non-arms length.

For the most part, public and private foundations fund the work of charitable organizations, whose job is to carry on charitable activities, although several foundations do operate their own charitable activities.

# TOP 20 PRIVATE FOUNDATIONS ASSETS AS PERCENTAGE OF ALL PRIVATE FOUNDATION ASSETS

## 2018

	Amount
Private foundation assets combined	\$56.3 billion
Top 20 private foundation assets	\$32.6 billion
Percent of total private foundation assets owned by the top 20 foundations	58%
<i>To provide some context, the combined budgets of the four Atlantic provinces was 28.9 billion in 2018</i>	

## 2019

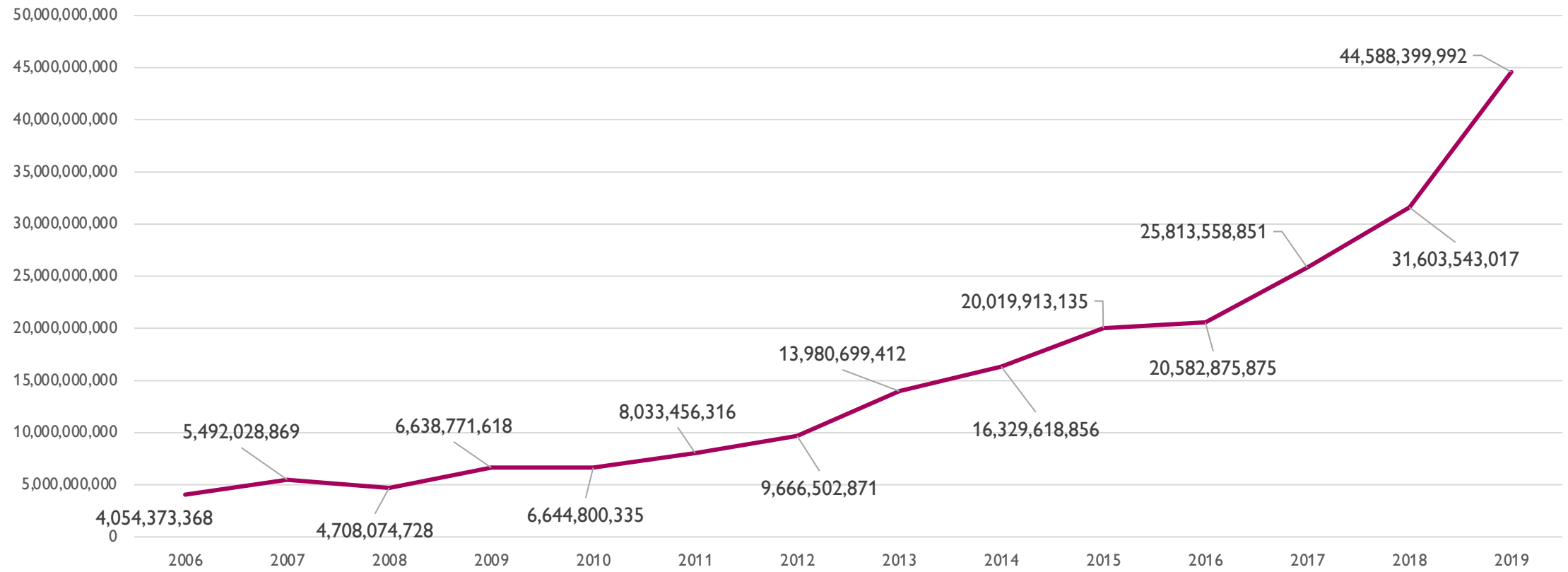
	Amount
Private foundation assets combined	\$74.5
Top 20 private foundation assets	\$44.5 billion
Percent of total private foundation assets owned by the top 20 foundations	63%
<i>The value of combined assets increased by 36.5% in one year</i>	

# GROWTH OF TOP 20 FOUNDATIONS IN ASSETS AND EXPENDITURES 2006 - 2019



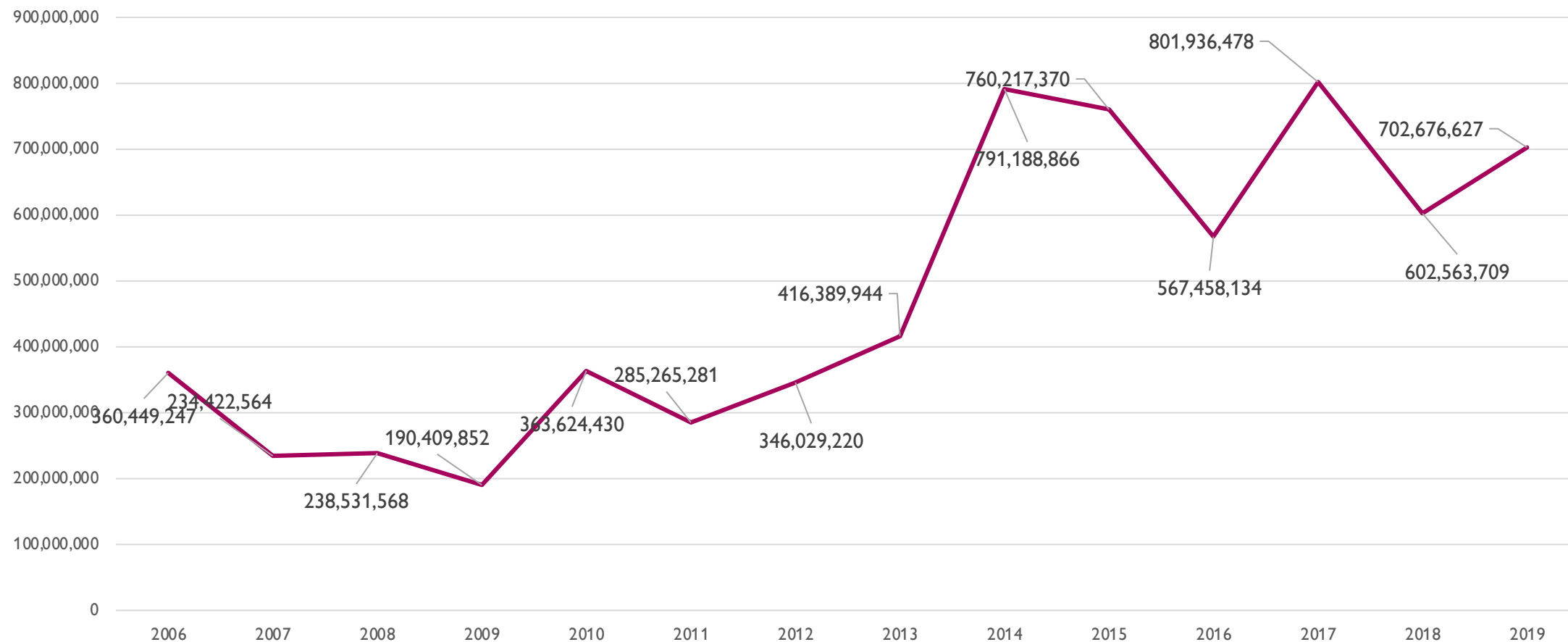


# GROWTH IN ASSETS, 2006 - 2019



# GROWTH IN EXPENDITURES

## 2006 - 2019





# INCREASE IN WEALTH OF FOUNDATIONS, 2006 - 2019

Assets/Expenditures	Value
Value of Assets, 2006	4,054,373,368
Value of Assets, 2019	44,588,399,992
Increase in Value of Assets	40,534,026,624
Expenditures, 2006	135,218,018
Expenditures, 2019	893,560,410
Net Increase in Expenditures, 2006 - 2019	758,344,392
Net Increase in Value, 2006 – 2019 (minus increased expenditures)	39,775,682,232

# INCREASE IN WEALTH VS EXPENDITURE, 2006 - 2019



■ Increase in Value of Gross Assets, 40.5 billion ■ Increase in Value of Expenditures, 758 million

# HOW FOUNDATIONS EARN REVENUE: THE CHARITABLE TAX CREDIT





## Private foundations typically earn the bulk of their revenue from 2 sources:

- The interest they earn from their investments, which can differ from foundation to foundation, but The Hospital for Sick Children's Foundation, for example, [posted](#) a 9.6% average annualized rate of return since 1995.
- The money they or their non-arms length board of directors gives the foundation for which a tax credit receipt is issued. The charity tax credit system itself, [the most generous tax incentive in the world for charitable giving](#), which many involved in the sector consider as 'costing them nothing.' And while it's true a tax credit costs a charity nothing, it costs Canadian taxpayers a lot. Up to 70% of the value of a charitable tax credit is money that does not come into the federal treasury, therefore unavailable to spend on health, social services, education, and other government programs. It is, instead, diverted to a private charity to do with whatever allowable activity it thinks best, which Canada's largest foundations appear to believe is bulking up their investment portfolios. (The percentage of the charitable tax credit depends on the form of the gift, whether it is appreciable market shares, cash, or something else.)



# RECEIPTED REVENUE VS GRANTS MADE

## Foundations issuing very few receipts

Grants vs tax receipts	Total Grants	Total Receipts	Difference
Mastercard Foundation - grants	804,345,475		804,345,475
Mastercard Foundation - receipts		0	
The J W McConnell Family FDN - grants	221,962,361		
The J W McConnell Family FDN - receipts		0	221,962,361
The Molson Foundation - grants	43,079,464		
The Molson Foundation - receipts		100	43,079,364
Fondation J.A. DeSève - grants	98,727,185		
Fondation J.A. DeSève - receipts		65,000	98,662,185
The Asper Foundation - grants	55,738,773		
The Asper Foundation - receipts		805,633	54,933,140
<b>Totals</b>	<b>1,223,853,258</b>	<b>870,733</b>	<b>1,222,982,525</b>

## Foundations issuing some receipts

Grants vs tax receipts	Total Grants	Total Receipts	Difference
Li Ka Shing (Canada) Foundation - grants	485,987,547		
Li Ka Shing (Canada) Foundation - receipts		259,240,000	226,747,547
Weston Family Foundation - grants	306,204,102		
Weston Family Foundation - receipts		75,000,000	231,204,102
<b>Totals</b>	<b>792,191,649</b>	<b>334,240,000</b>	<b>457,951,649</b>

The group of 5 at the left—those issuing very few receipts during the period of 2006 – 2019 when it made the grants—incurred little cost to the taxpayer. The 2 foundations above made 792 million in grants from 2006 – 2019, and during the same period, they issued 334.2 million in tax receipts, up to 70% of which could be borne by the taxpayer.



# Foundations issuing more tax creditable receipts than number of of grants made

Grants vs tax receipts	Total Grants	Total Receipts	Difference	Grants vs tax receipts	Total Grants	Total Receipts	Difference
Lucie et Andre Chagnon - grants	90,024,000			Brookfield Partners Foundation - grants	107,313,550		
Lucie et Andre Chagnon - receipts		138,975,353	-48,951,353	Brookfield Partners Foundation - receipts		236,213,607	-128,900,057
The Rossy Foundation - grants	122,086,278			Morris and Rosalind Goodman Family Foundation - grants	99,225,000		
The Rossy Foundation - receipts		127,016,375	-4,930,097	Morris and Rosalind Goodman Family Foundation - receipts		224,292,982	-125,067,982
Fondation Marcelle et Jean Coutu - grants	181,326,073			Dr. Wolf Lebovic Charitable Foundation - grants	78,667,658		
Fondation Marcelle et Jean Coutu - receipts		274,915,642	-93,589,569	Dr. Wolf Lebovic Charitable Foundation - receipts		161,157,328	-82,489,670
Fondation Mirella & Lino Saputo - grants	42,299,971			The Lazaridis Family Foundation - grants	63,094,169		
Fondation Mirella & Lino Saputo - receipts		258,810,532	-216,510,561	The Lazaridis Family Foundation - receipts		131,484,770	-68,390,601
The Schulich Foundation - grants	152,872,226			Gerald Schwartz & Heather Reisman Foundation - grants	233,544,925		
The Schulich Foundation - receipts		477,735,000	-324,862,774	Gerald Schwartz & Heather Reisman Foundation - receipts		277,124,207	-43,579,282
The FDC Foundation - grants	62,722,183			Audain Foundation - grants	119,285,692		
The FDC Foundation - receipts		300,238,126	-237,515,943	Audain Foundation - receipts		349,864,317	-230,578,625
Pathy Family Foundation - grants	72,613,511			<b>Totals</b>	<b>1,425,075,236</b>	<b>3,234,796,731</b>	<b>-1,809,721,495</b>
Pathy Family Foundation - receipts		276,968,492	-204,354,981				

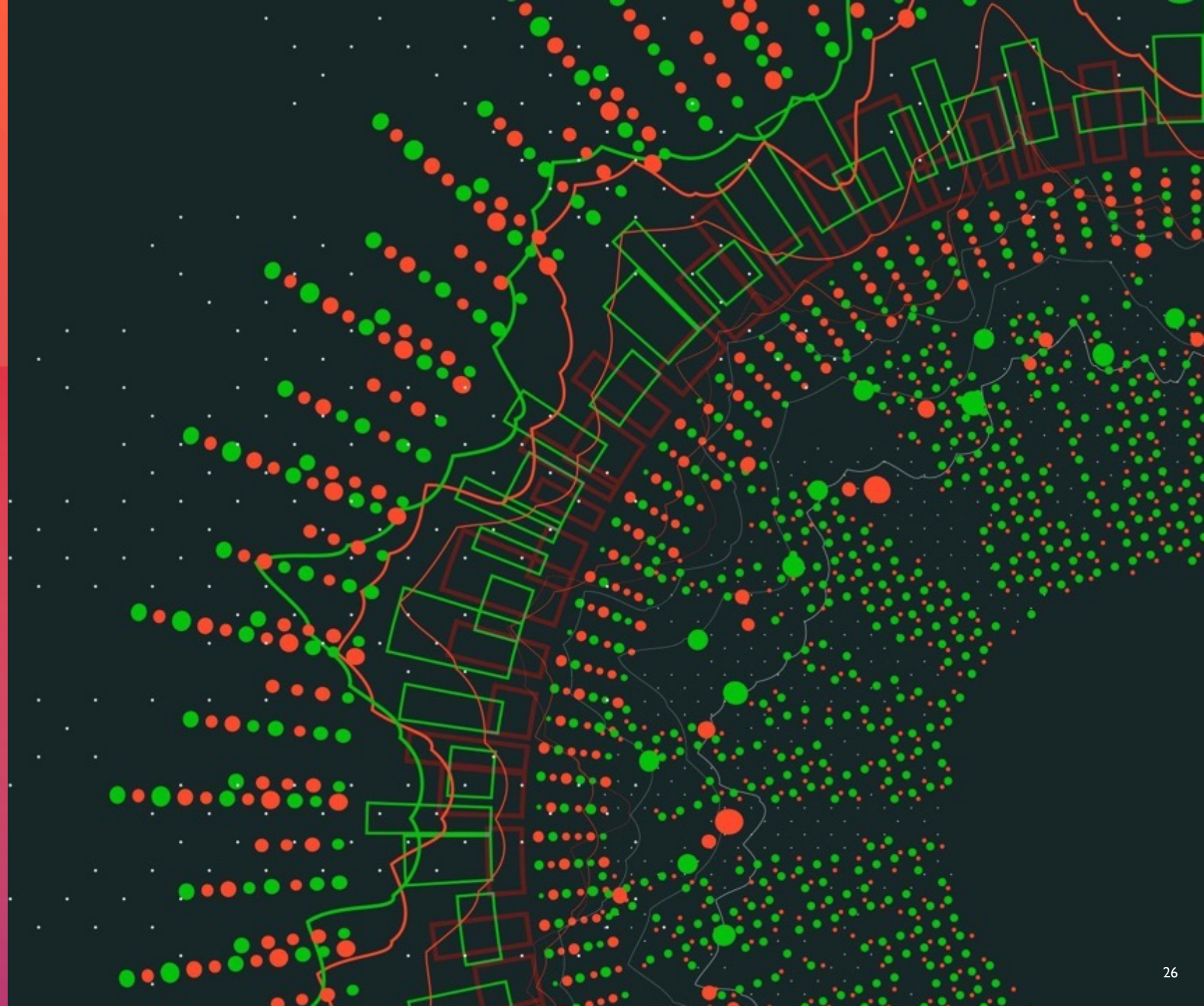
## **FOUNDATIONS ISSUING MORE TAX CREDITABLE RECEIPTS THAN NUMBER OF OF GRANTS MADE**

- During the period between 2006 and 2019, the 13 foundations shown on the previous page collectively made 1.43 billion in grants. At the same time, they collectively issued \$3.23 billion in tax creditable receipts for a difference of 1.81 billion, which would have cost the taxpayer up to 70% of their value.
- Notionally, then, over 15 years, these foundations cost the taxpayers 1.3 billion more in lost money to the treasury—money with which it could help the government deal with the social problems Canadians face and which Canadians have said are a priority.
- It would seem to suggest a review of the impact of charitable receipting in relation to private foundation could be warranted.

TOP 20  
FOUNDATIONS  
DETAIL:  
EXPENDITURE  
GROWTH VS ASSET  
GROWTH

2006 - 2019

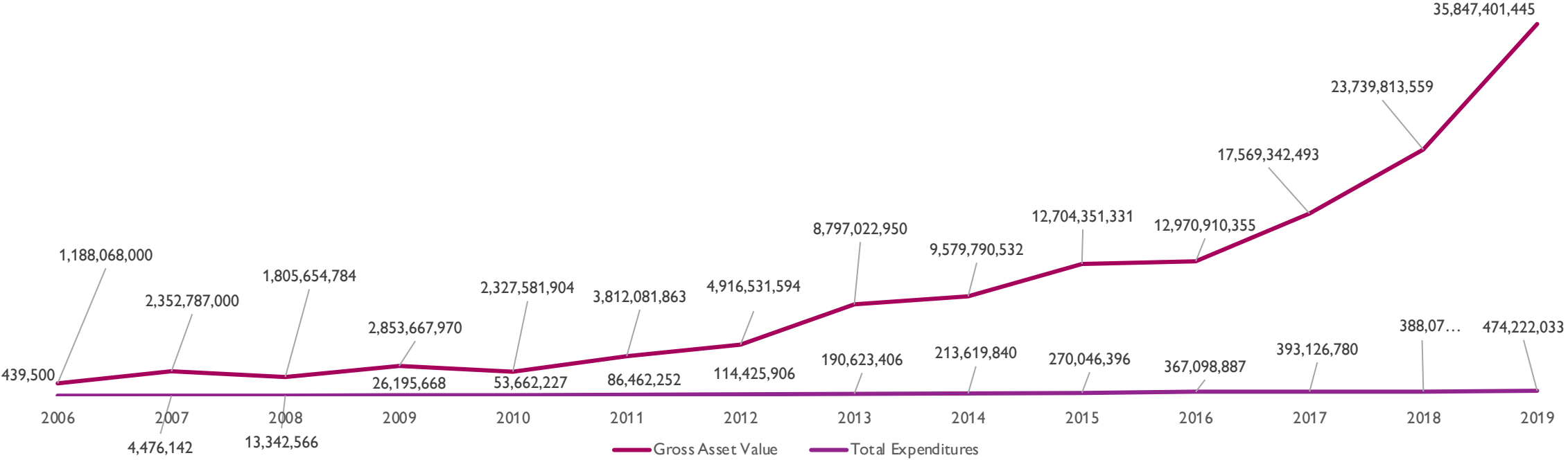
# APPENDICES



# 1\_MASTERCARD FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2006 - 2019

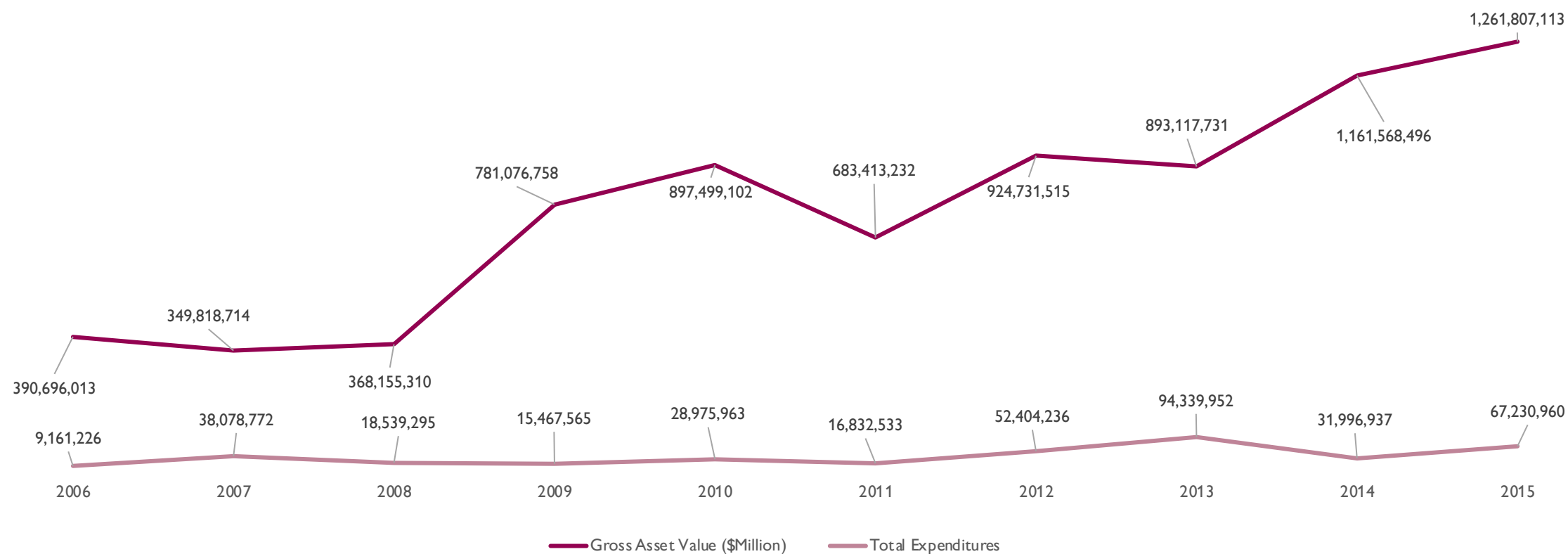




# 2\_FONDATION LUCIE ET ANDRE CHAGNON

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2006 - 2019

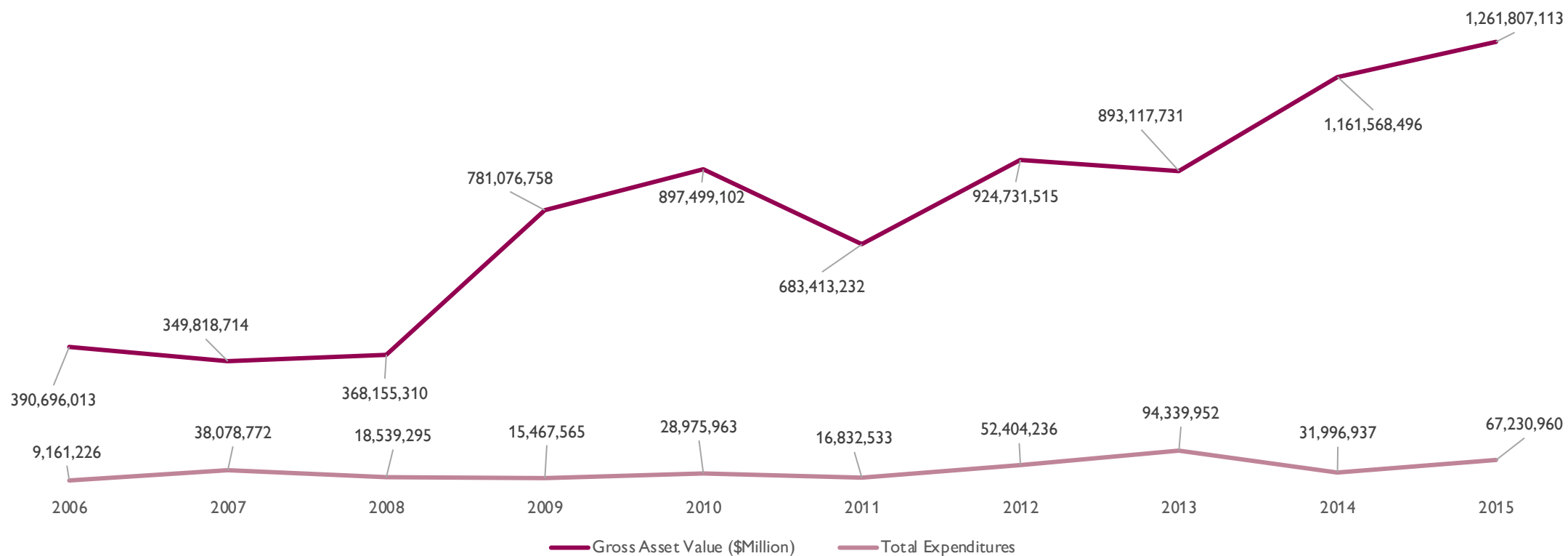




# 3\_LI KA SHING (CANADA) FOUNDATION

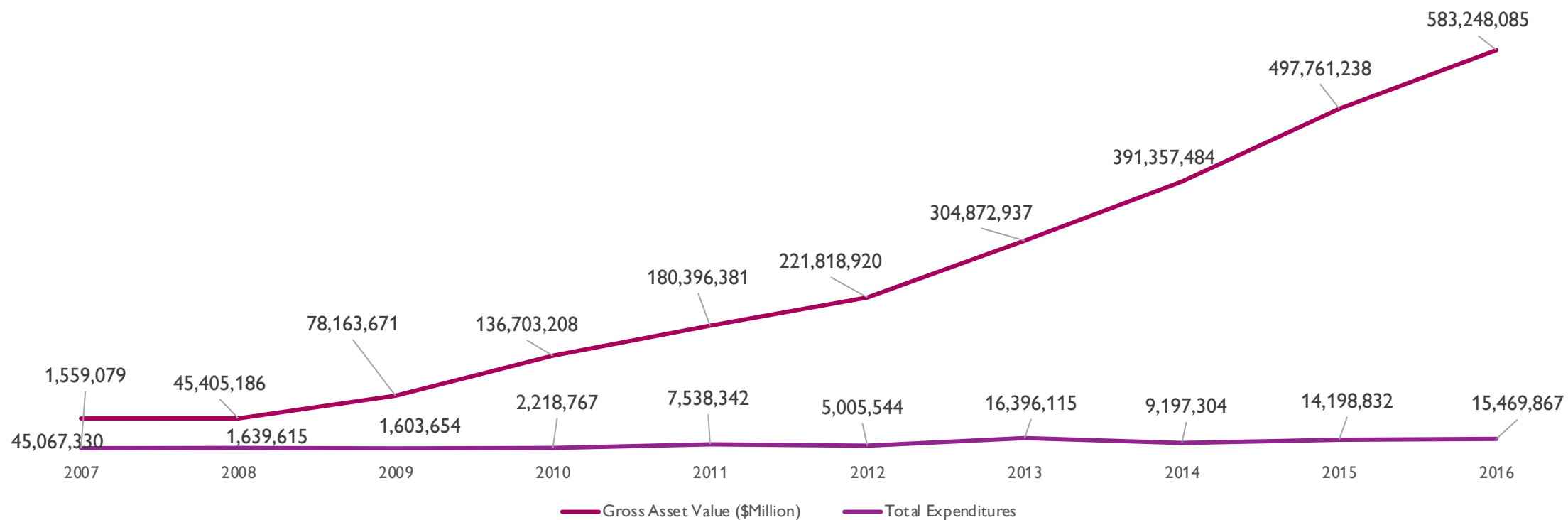
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2006 - 2019



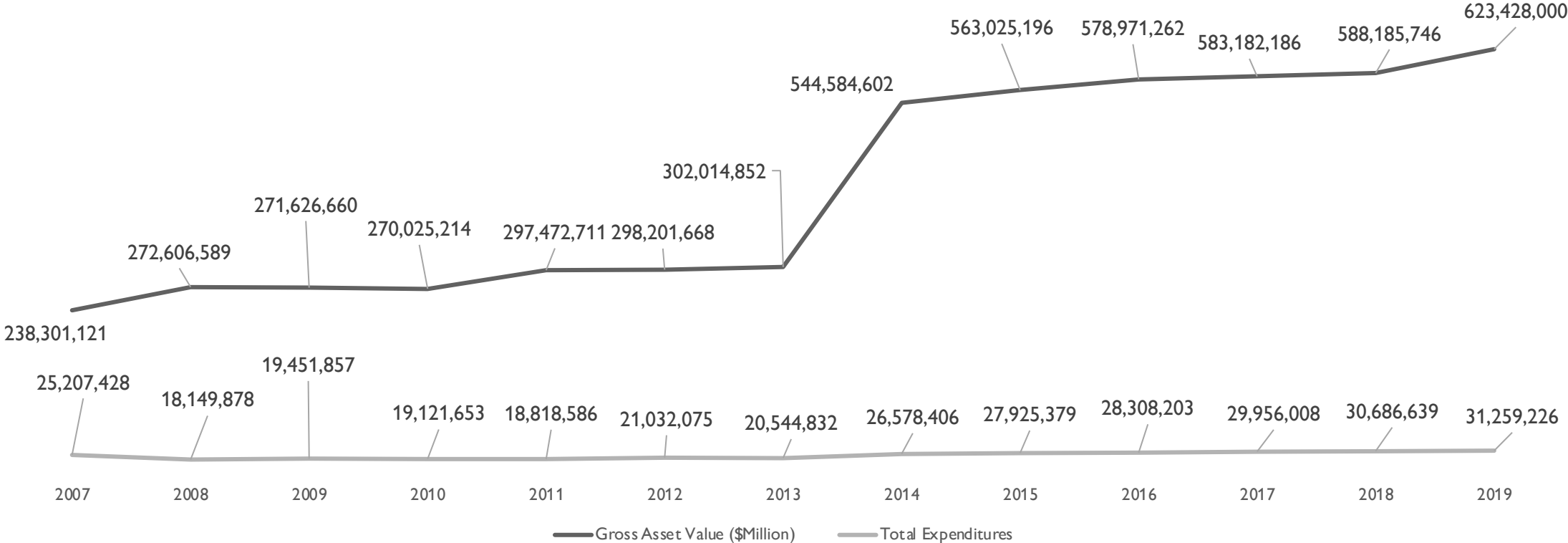
# 4 \_THE ROSSY FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2006 - 2019



# 5 \_ THE J.W. MCCONNELL FAMILY FOUNDATION

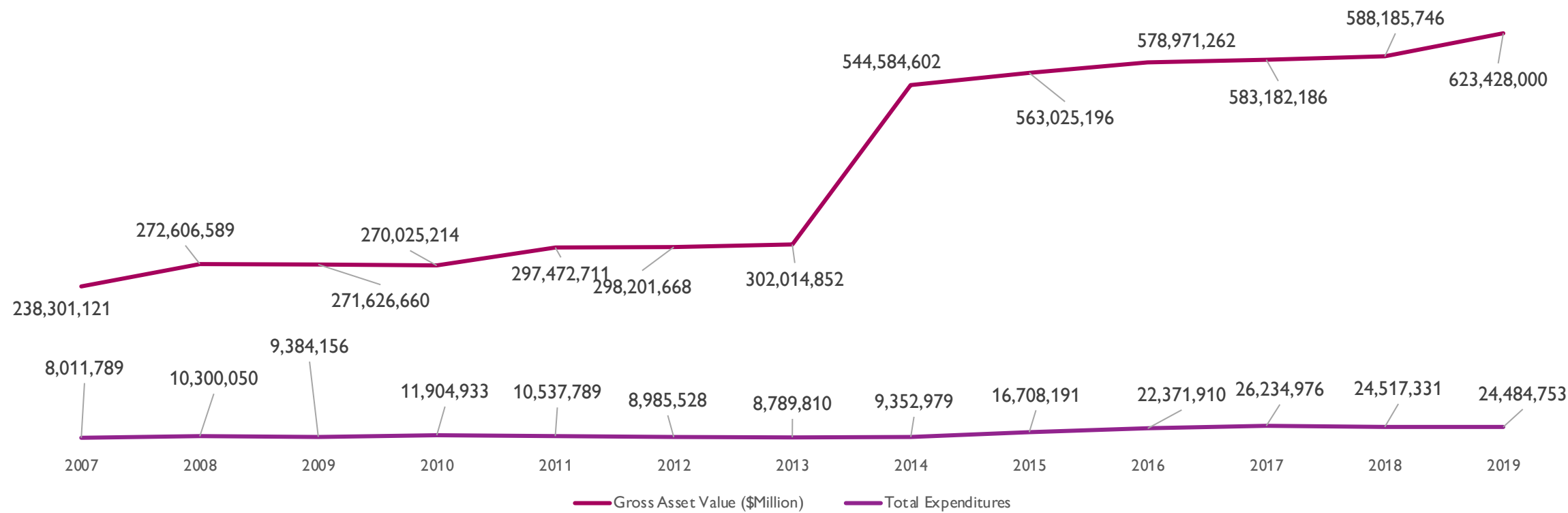
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2006 - 2019



# 6\_FONDATION MARCELLE ET JEAN COUTU

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2006 - 2019

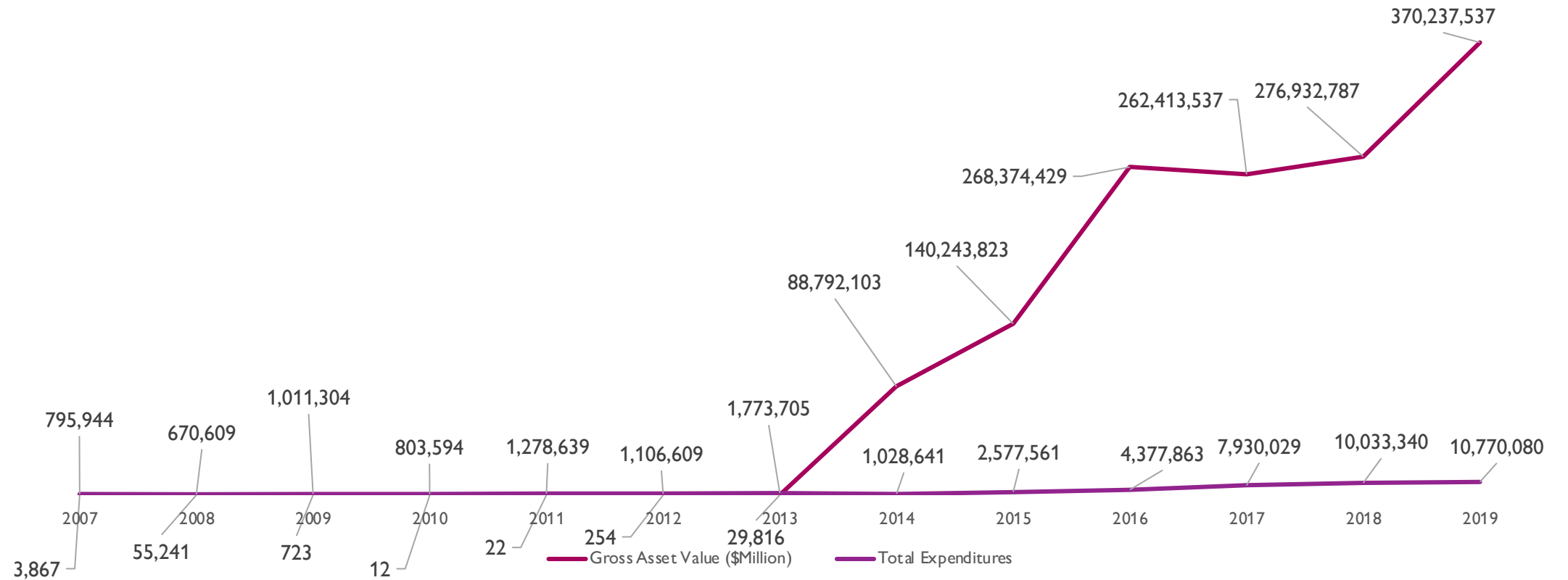




# 7\_FONDATION MIRELLA & LINO SAPUTO

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

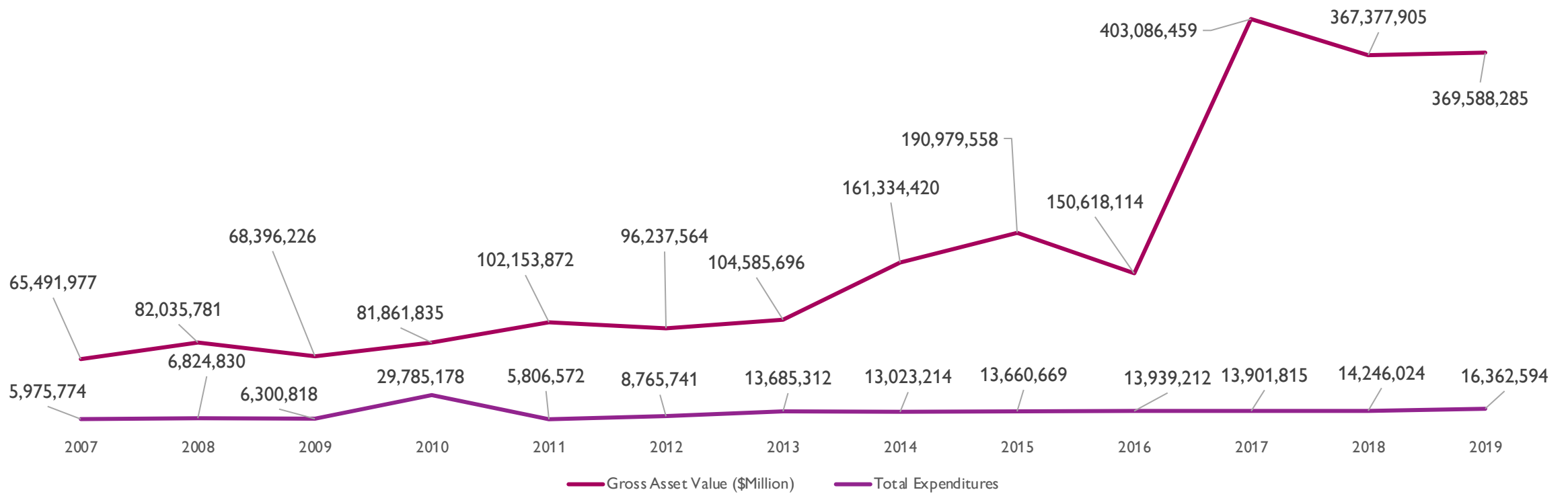
### 2006 - 2019



# 8 \_THE SCHULICH FOUNDATION

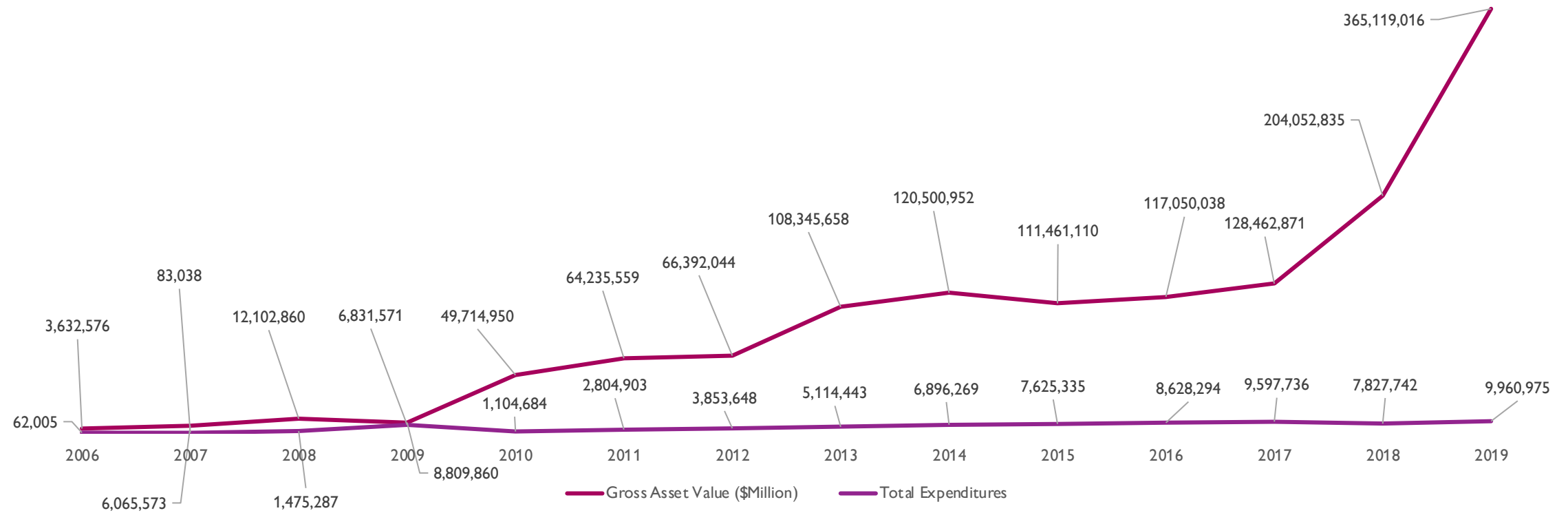
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2006 - 2019



# 9 \_THE FDC FOUNDATION

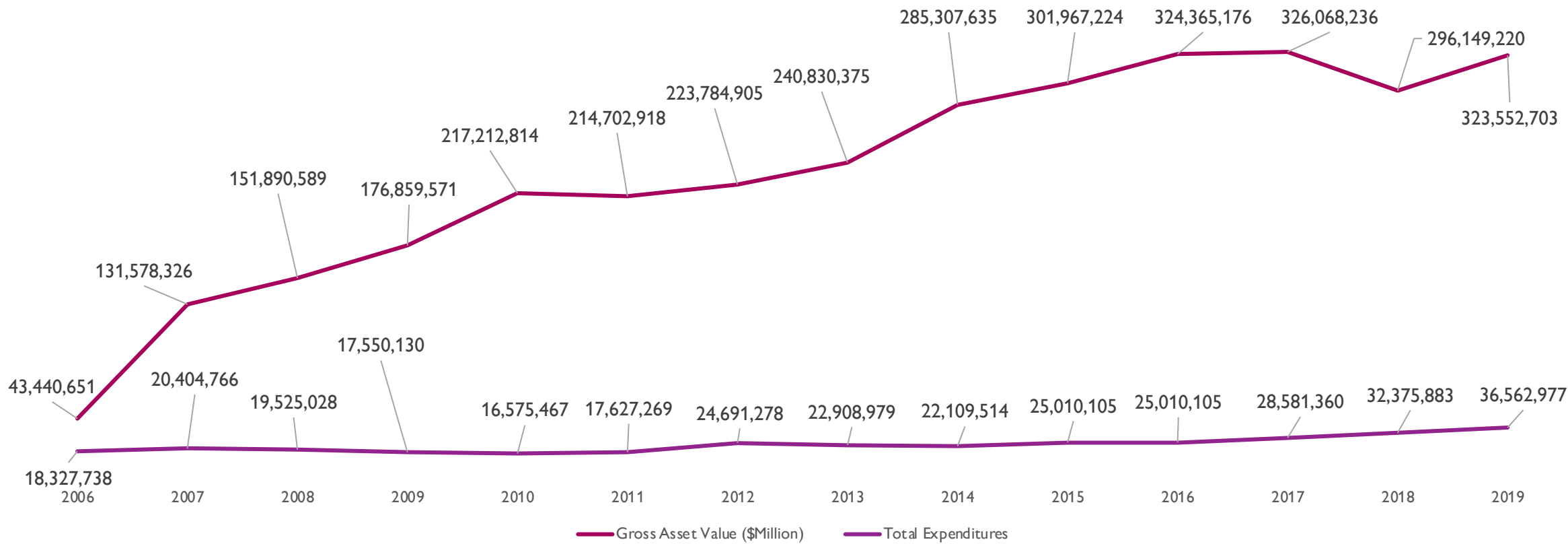
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2006 - 2019



# 10\_THE FDC FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2006 - 2019

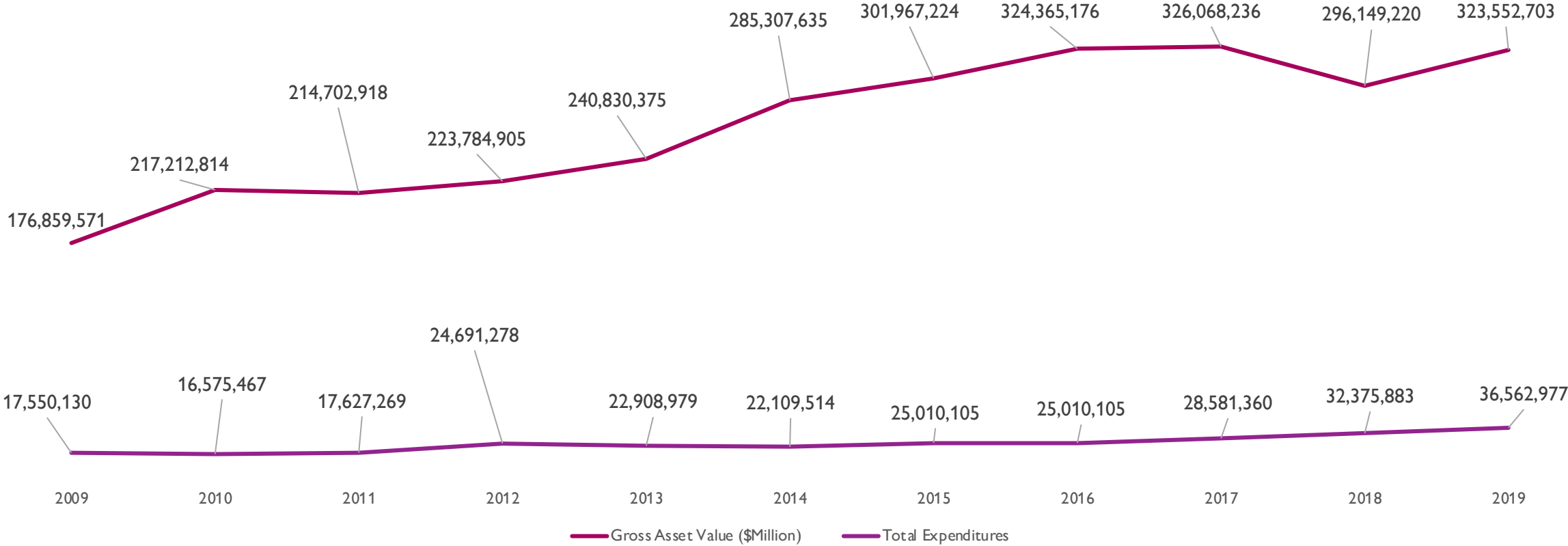




# 11 THE PATHY FAMILY FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

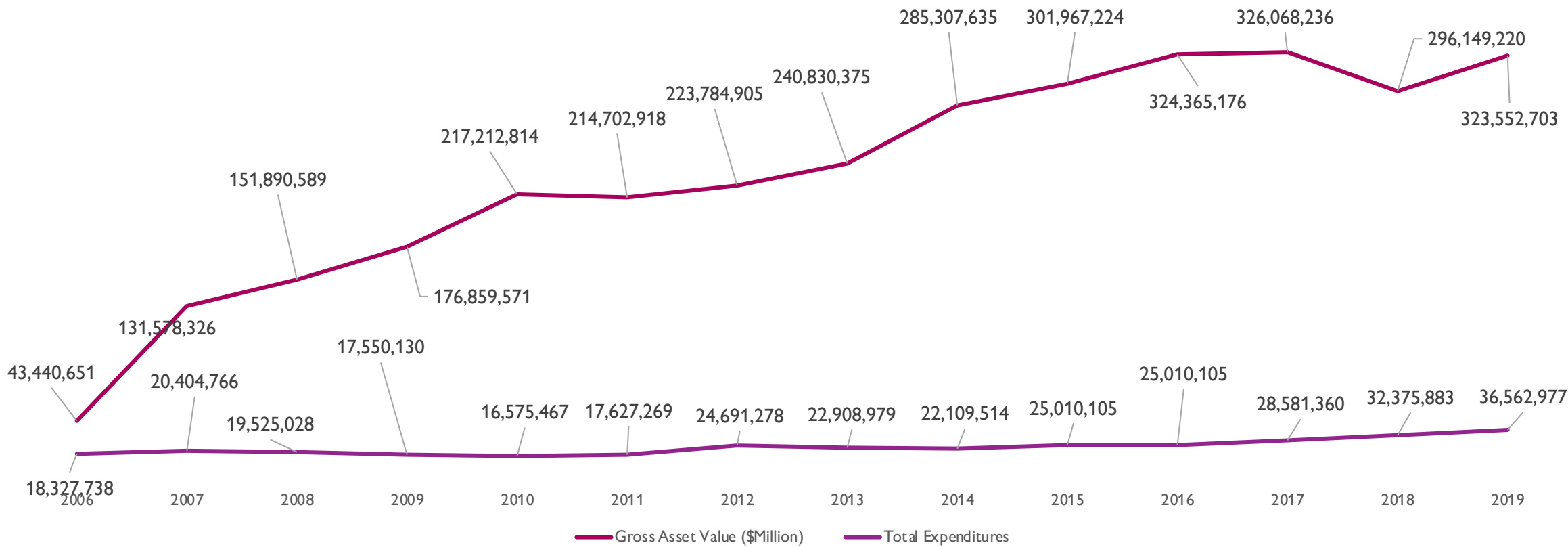
### 2009 - 2019



# 12\_BROOKFIELD PARTNERS FOUNDATION

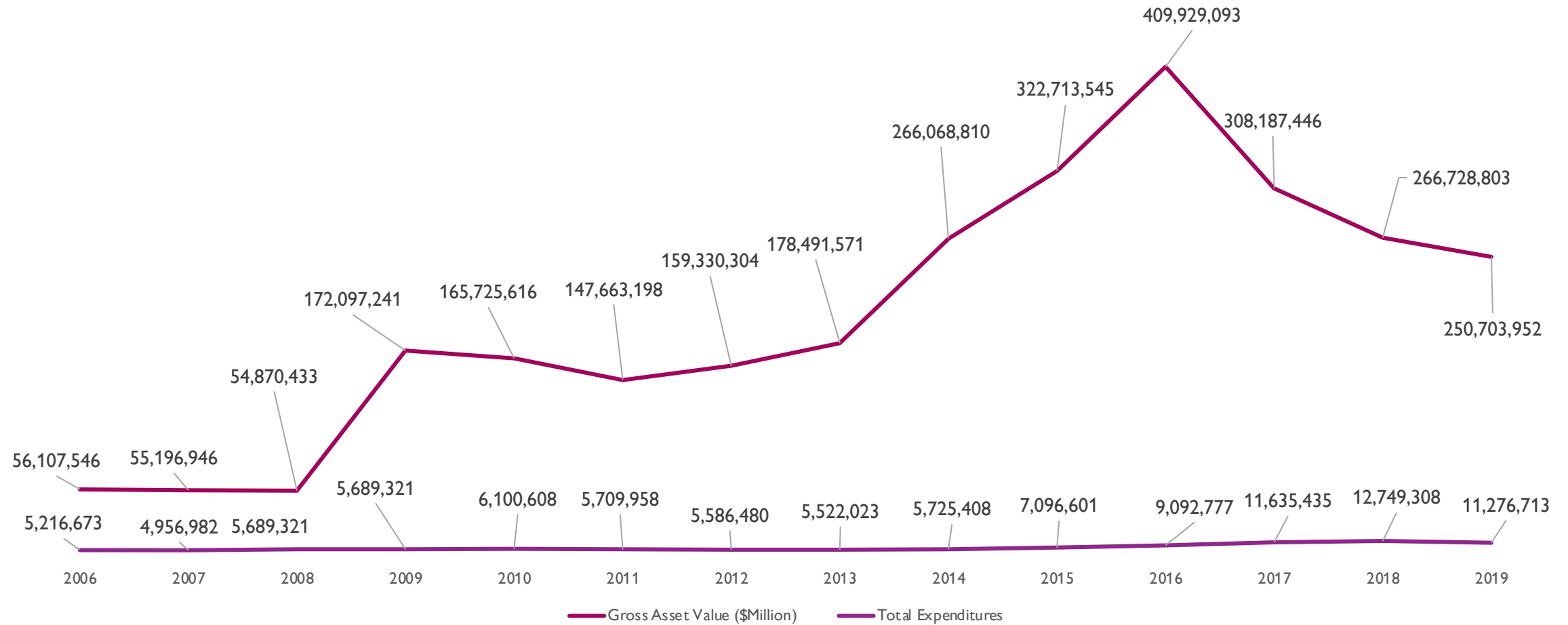
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE

### 2009 - 2019



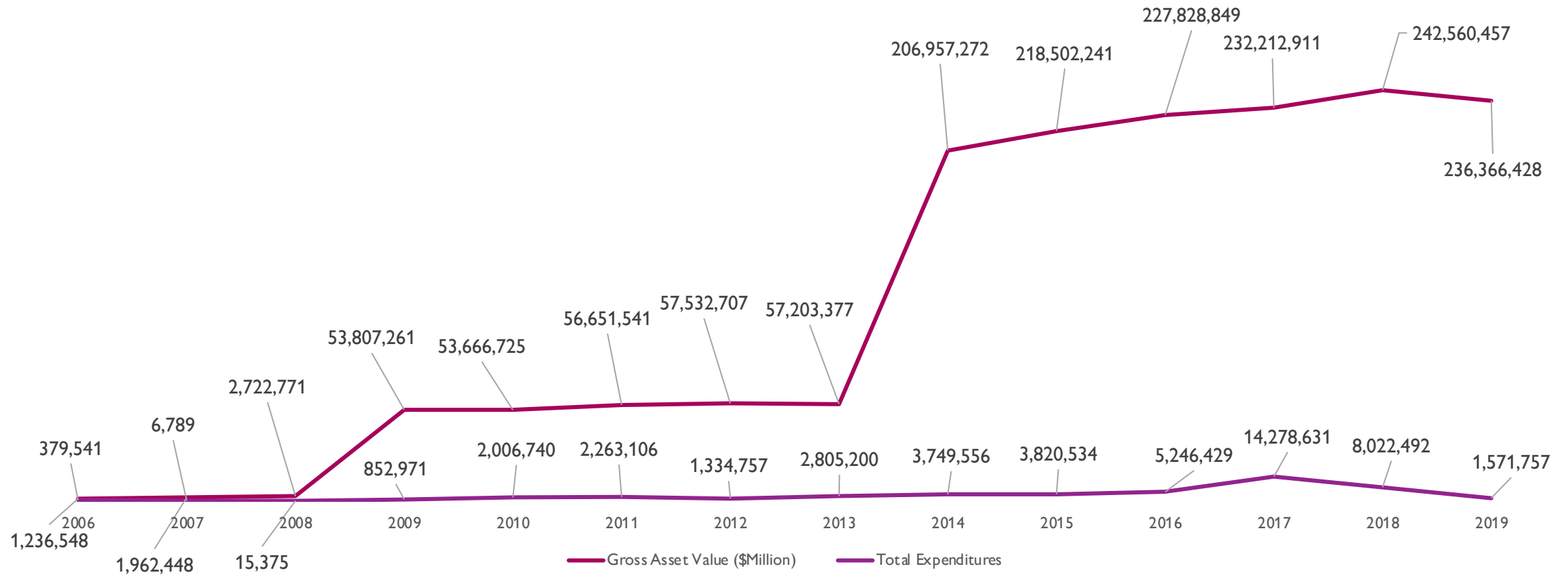
# 13 \_THE MOLSON FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019



# 14\_MORRIS AND ROSALIND GOODMAN FAMILY FOUNDATION

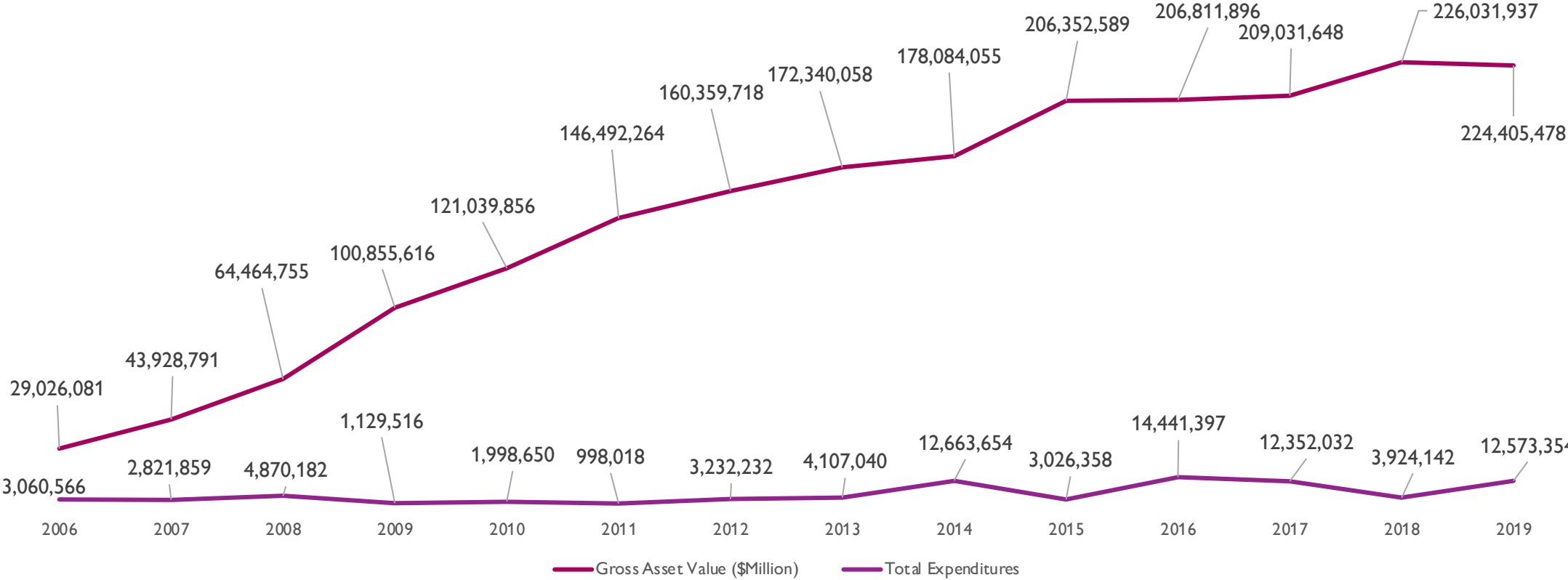
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019





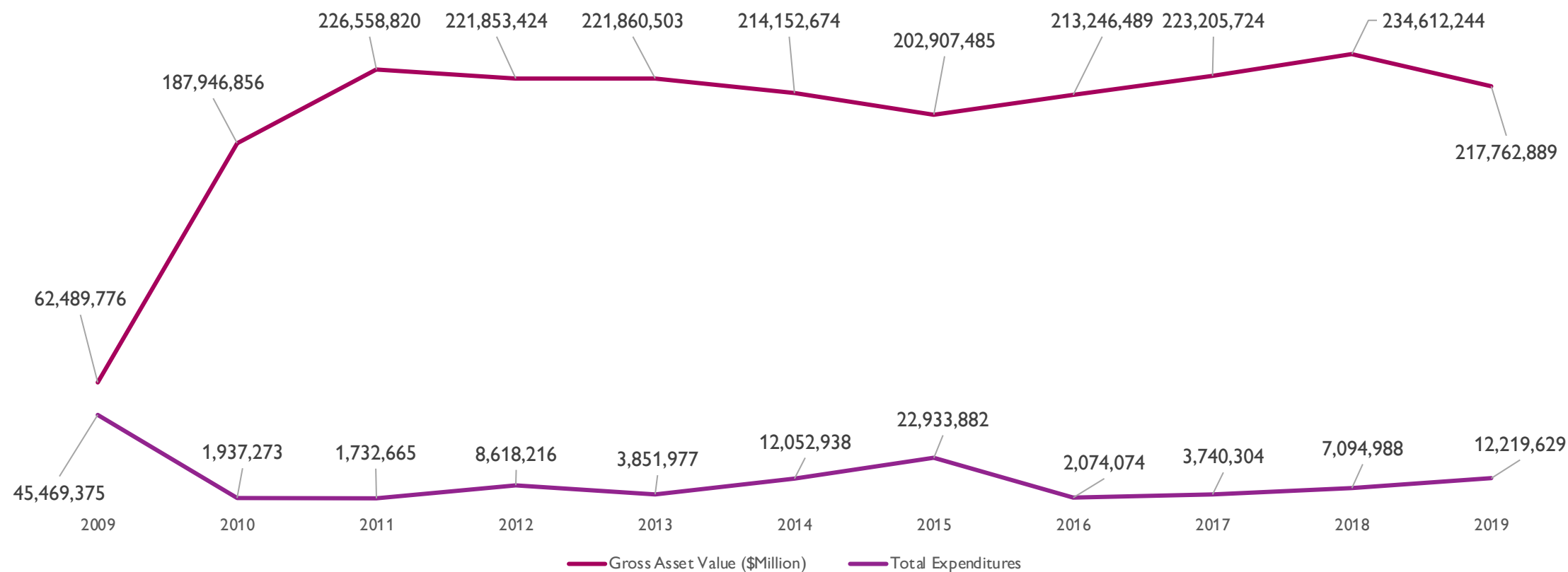
# 15\_THE DR. WOLF LEBOVIC CHARITABLE FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019



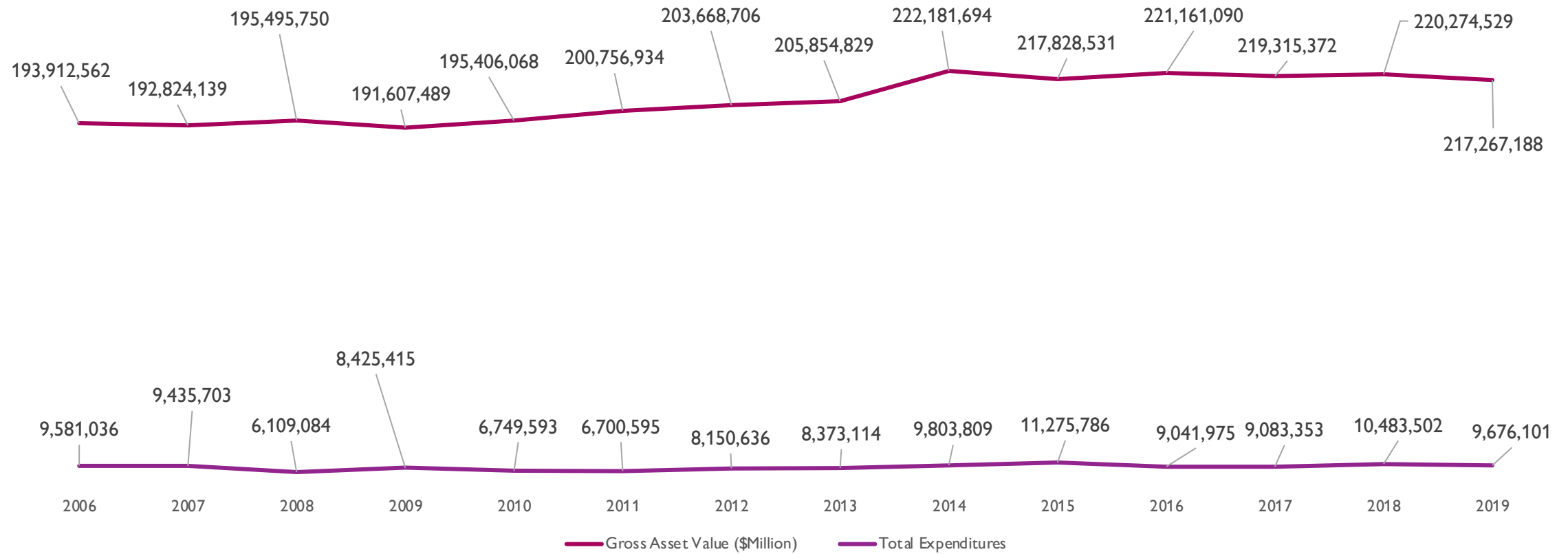
# 16\_THE LAZARIDIS FAMILY FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019



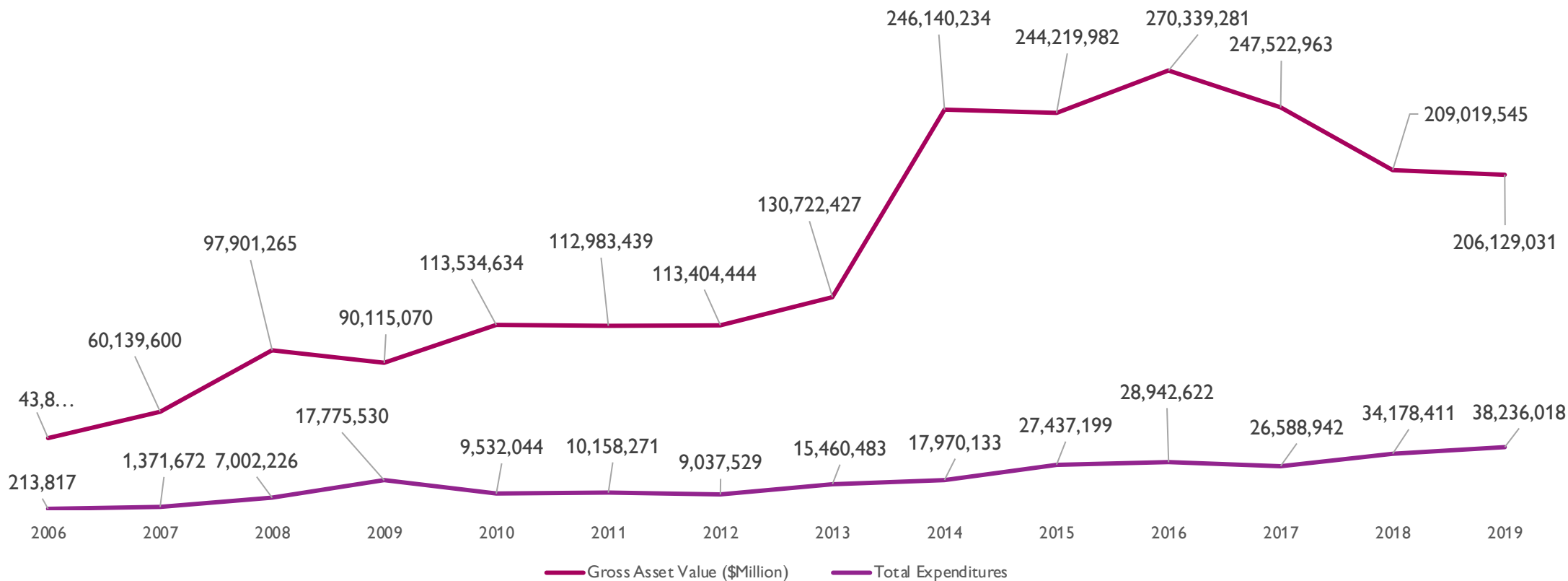
# 17\_FONDATION J.A. DESÈVE

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019



# 18\_THE GERALD SCHWARTZ AND HEATHER REISMAN FOUNDATION

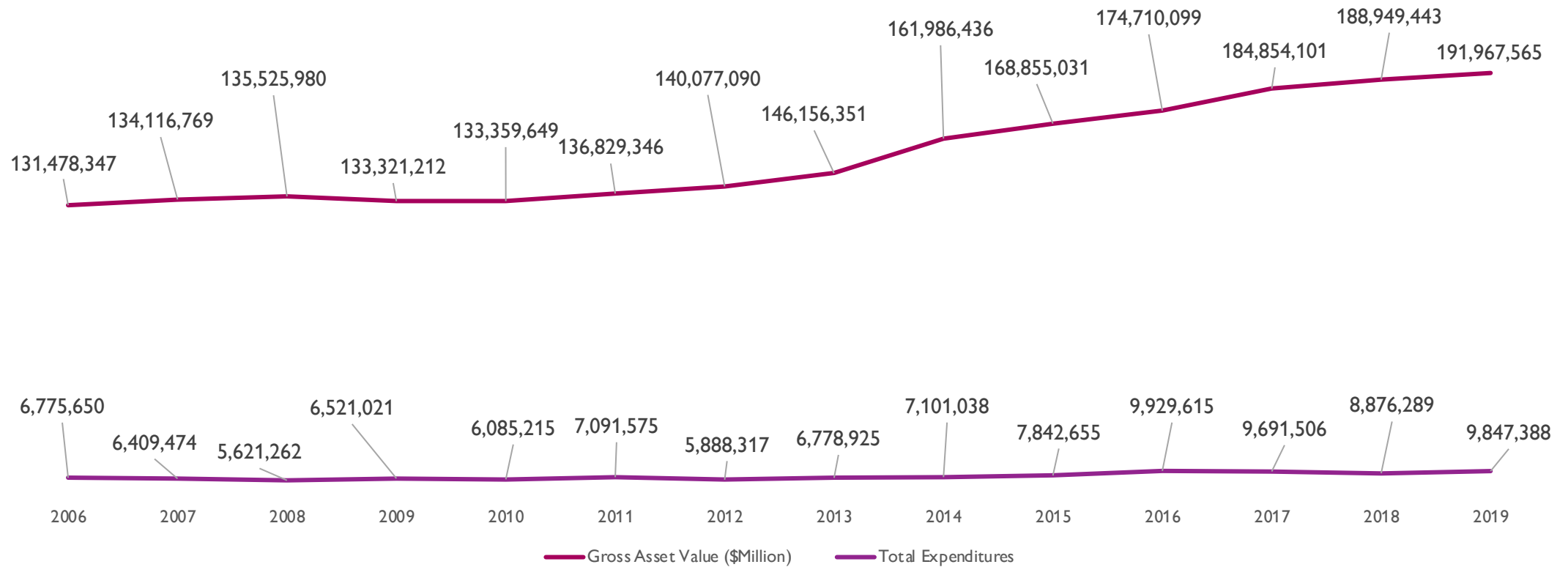
## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019





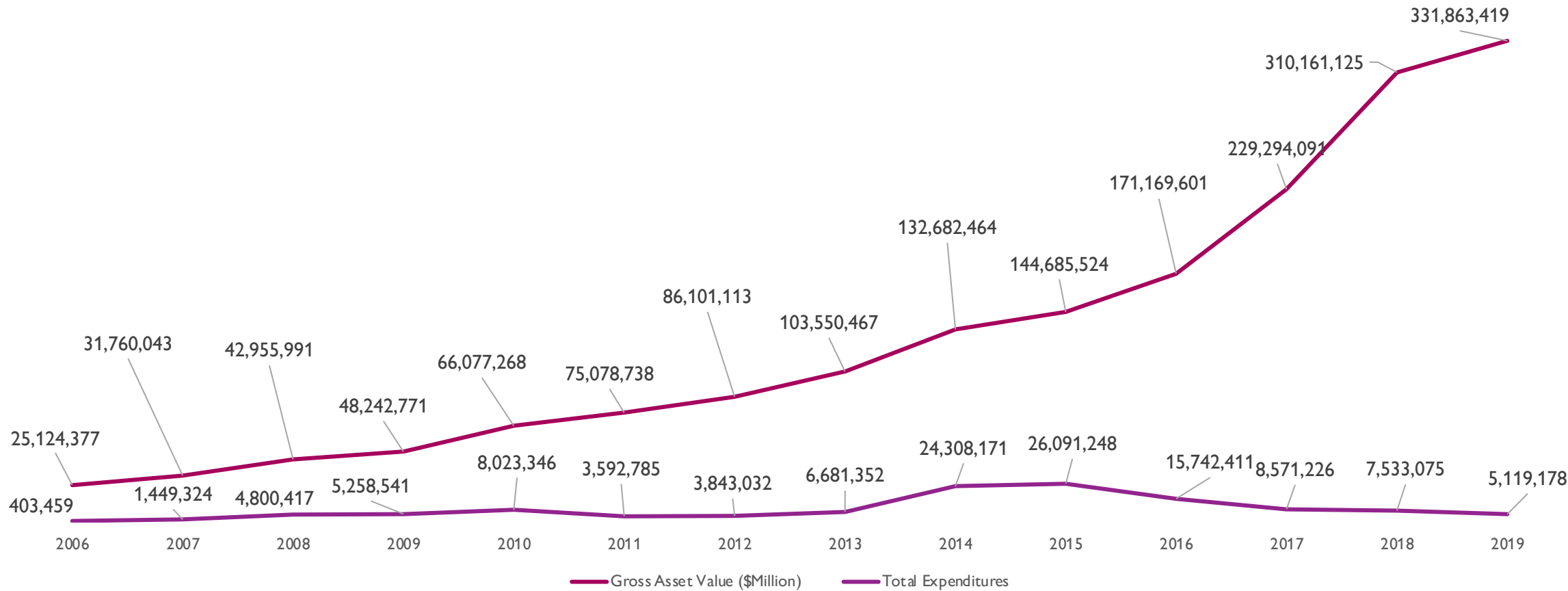
# 19\_THE ASPER FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019



# 20\_AUDAIN FOUNDATION

## EXPENDITURE GROWTH BY GROWTH IN ASSET VALUE 2009 - 2019



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