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Untapped Potential of Available Data for Foundations in Canada

Research Summary

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Overview of Existing Research

The foundation sector in Canada remains highly unexplored, especially by academic scholars. A systematic literature review conducted in 2015 identified only eight quantitative papers on foundations. The primary source chosen by researchers in these studies is data from the Canada Revenue Agency's T3010 form. These reports are predominantly descriptive, focusing on the composition of the Canadian foundation sector and their operations. A number of brief surveys and several case studies were identified in addition to these papers. However, they were not sufficiently representative of the foundation sector in Canada and lacked the rigour necessary for policy and research purposes.

Description of the CRA Data on Foundations

Since 1967, the Canada Revenue Agency has required foundations and other registered charities to file a T3010 information return within six months from the end of their fiscal year. Failure to comply can lead to a loss of charitable status.

The T3010 return gathers information from foundations on their key financial measures, political and fundraising activities and compensation of their employees. Where applicable, foundations also submit the following three forms together with the main return: 1) The *Directors and Trustees Worksheet*, which identifies the board of directors/trustees of a foundation and records the length of their tenure within an organization (form T1235); 2) The *Qualified Donee Worksheet*, which lists grant recipients and the amount of grants transferred from foundations and/or other registered charities (form T1236); and 3) Information about excess corporate holdings for private foundations (form T2081).

The T3010 data can be retrieved by foundation's legal type as defined by the *Income Tax Act* (public vs. private), by charitable mission (welfare, education, health, etc.) and also by location (city or province). Foundations are designated as public or private depending on the relationship between the sources of funding to the foundation and the number of donors related by family or marriage. The CRA also assigns foundations into broad categories identified by their charitable purposes such as religion, education, health, social welfare and community.¹

Research Potential of the CRA Data

Foundation Assets and Revenues

By analyzing the composition of foundations' total assets and total revenues we can obtain valuable insights into how these organizations operate. Do foundations focus on accumulating more assets or attracting new revenues? What is the method of foundation operations? How much do foundations spend on promoting charitable missions? Also, by

¹ CRA internally generates 50 categories for classifying charities according to their stated purposes. Please see Sharpe (1994) for a detailed discussion of category codes.

studying these metrics, we can learn about foundation responses to outside factors, their behavior during recessions or economic recoveries.

Foundations and Their Spending

Through the *Qualified Donee Worksheet* (T1236 form) foundations can be matched with the recipients of foundation grants. A series of questions about foundation spending remain unexplored. For instance: What role does foundation giving play in supporting charity operations? What are the giving patterns of foundations that fund multiple charities compared to those that fund only one organization? How do foundation disbursements vary with foundation size?

Grants from foundations are an important source of funding for charities. Information that can be gathered on funding patterns of foundations will be of interest to charities because it will allow them to more effectively target their fundraising efforts to foundations that support particular missions. The same information will be of interest to foundations because it will allow them to see how others in their sector are disbursing their money, helping them to pinpoint broader needs of their communities. Moreover, the ability to attract foundation grants may help charities be successful in attracting other donations because their support can serve as a signal of the charity's competency.²

Compensation and Governance

Data on foundations can be linked to the *Trustees and Directors Worksheet* (T1235 form) to guide our understanding on how foundations are managed. What roles do trustees play in choosing which programs to fund? Studying the composition of foundation boards can potentially provide some insights into the decision-making process around foundation grants. Do funding patterns change with board turnover?

The T3010 data also provides information on the number of full-time and part-time employees, the number of employees as well as total expenditures on all compensation during the fiscal year. Exploring these variables can offer interesting insights about the role foundations play in creating employment for Canadians.

Concluding Reflections

There are many other avenues than the ones identified above that can be explored with the rich source of data on foundations collected by the Canada Revenue Agency. Dialogue between researchers, foundation executives and representatives of the charitable sector is necessary to determine the direction future inquiry should take. If the existing CRA data is unable to answer questions identified as being the most urgent and relevant to the nonprofit sector, future studies can be coordinated through the unique collaboration brought together through this SSHRC-funded project.

² Rose-Ackerman, Susan. 1980. "United Charities: An Economic Analysis." In *Community Organizations: Studies in Resource Mobilization and Exchange*, edited by Carl Milofsky, 136-157. New York: Oxford University Press; Andreoni, James. 2006. "Leadership Giving in Charitable Fund-Raising." *Journal of Public Economic Theory* 8: 1-22.