PHILANTHROPIC FOUNDATIONS IN CANADA

LANDSCAPES, INDIGENOUS PERSPECTIVES AND PATHWAYS TO CHANGE

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Dedicated to our dear
friend and colleague
Jack Quarter

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Chapter five

Corporate foundations: Cases and causes

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Any business leader who has created a corporate foundation has probably been challenged to explain why they would choose to operate the majority of their community investments through this particular structure. It's not uncommon, after all, for people to question whether the limitations and reporting requirements of the Canada Revenue Agency (CRA) constrain or facilitate a corporate foundation's ability to respond to business objectives. People perceive that it must be much more expensive to operate through this format than it would be to operate within a regular business structure. They also wonder if a corporate foundation is limiting rather than freeing, imposing hurdles rather than offering opportunities.

Our response has been that, while it is challenging to operate *solely* through this model, a corporate foundation works extremely well for most types of business. Increased expenses are not significant and are usually attributable to financial audits and the rigour of regular meetings. These requirements, however, result in a much more formal program that can add significant value to a company. We have also witnessed benefits to a foundation being arm's-length from the company: for example, a foundation allows for centralized funds and the creation of a strategic national program across multiple business lines and provides leadership development opportunities for executives and other senior management. A foundation also allows for clear governance of granting decisions, and is a powerful vehicle to support the overall corporate social responsibility efforts of the business's, and society's, evolving expectations.

We will expand on these points – first by exploring a brief history of corporate foundations in Canada, and the influence of corporate social responsibility. We will also discuss how the challenges of a foundation model can be addressed with a blended model of philanthropy, before going on to describe the various sources of revenue that can be used to structure corporate foundations. Using an example of the Suncor Energy Foundation, we will also explore the emerging role of corporate social innovation. Throughout the chapter, we will discuss the pros and cons of using a foundation model, and attempt to show how corporate foundations can help support businesses by finding new ways for them to engage with society.

A short history of corporate foundations in Canada

Chapter One identified a number of Canadian foundations that were created by business leaders with gifts of cash or stock to create an initial endowment. In fact, early Canadian corporations had one factor in common: they were owned, controlled and managed by a single, dominant personality who influenced the values and attitudes of the company.

> Our [Canadian] great retail chains – Eaton's, Simpsons and Woodward's – were founded by men who exhibited a generous public spirit themselves, and instilled the same tradition of service and duty in the succeeding generations ... In early years, gifts by the Molson family and the corporation were indistinguishable as to their source.
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> **Martin, 1985, p. 225**

Examples of such philanthropists were emerging because of their ability to amass surplus wealth in the management of business ventures, rather than from inherited family wealth. Liverant shares the story of Edmund Walker, president of the Canadian Bank of Commerce from 1907 to 1924: Walker's legacy was to use his position "to create a new relationship between the banking profession and the community at large", and his many voluntary board positions enabled him to "zealously promote the legitimate interests" of the bank in a variety of social settings (Liverant, 2009, p. 196). In other words, Walker was able to leverage the opportunities and connections he made within the Bank of Commerce to raise money for causes he was committed to, and also used the network of contacts forged in building these associations and institutions to the benefit of the bank.

> Walker was unique in his ability to integrate business and philanthropy in the support of common causes. The corporate business model began to saturate the organizations of civil society, with new leaders transferring their knowledge and expertise, as well as their wealth, to organized philanthropic endeavors. In time, corporations also began to donate money directly to philanthropic causes.
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> ***ibid.*, p. 196**

This history is distinct from the emergence of family foundations such as the Massey Foundation, founded in 1918, and the J W McConnell Family Foundation, formed in 1937, that operated independently of corporate interests.

Even as company money began to be directed toward philanthropic causes, however, it was not until well into the 20th century that corporations and businesses began to create foundations to manage their donations. According to the CRA database, the earliest corporate foundations were reported in 1967, which is also the first year that charitable registration was required nationally. It appears that the earliest corporate foundations either were trusts to collect and grant employee payroll contributions, or were based on Canadian affiliates of US parent companies.[1] Foundations from this time included the Imperial Oil Charitable Foundation, Canada Safeway Employees Fund, Algoma Steel Ltd. Employees' Charity Trust, and CBC Employees Charity Trust. Other foundations followed in the 1970s and 1980s (e.g. Ronald McDonald House Charities, KPMG Foundation) and the 1990s (e.g. RBC Foundation, Suncor Energy Foundation, Canadian Tire Jumpstart Charities, Maiwa Foundation, Intact Foundation), and, more recently, in the 2000s (e.g. Trico Foundation, PWC Foundation, Montreal Canadiens Children's Foundation, Home Depot Canada Foundation, Canadian Online Giving).

Currently, corporate foundations in Canada can be registered with Revenue Canada as public or private charitable foundations. The difference between the two is how they receive their income and the composition of their boards of directors. Foundations that solicit funds from customers to support their work (e.g. Ronald McDonald House Charities) and receive more than half their funding from arm's-length supporters must be registered as public foundations. Public foundations must also have more than half of their directors work with one another at arm's-length, and they must disburse the equivalent of more than half their annual income on gifts to qualified donees. On the other hand, organizations in which half or more of the foundation's directors do *not* deal with each other at arm's-length and/or 50% or more of the foundation's funding comes from a person or group of persons that control the charity in some way, must be registered as a private foundation. These foundations include the many employee-based foundations or trusts, as well as those owned by companies such as RBC or Suncor Energy, that receive funds annually from a parent company. In these (private) corporate foundations, the boards of directors are often made up entirely of internal employees or leaders.

The influence of corporate social responsibility

As multiple facets of a company's business are regulated and affected by a variety of actors, it has become fairly well-established that corporate community investment could function as a way of mitigating reputational risk and helping to ensure a company maintains its licence to

1 It is likely that employee trusts preceded the 1967 federal registration requirement, but the regulatory data provide the only consistent way of verifying companies that were operating in this sphere.

operate – either socially or literally. There is a case to be made, however, that this view has been expanding as companies and their foundations move beyond traditional (donor) philanthropy and into more socially innovative and impact-oriented partnerships with community members (Glover *et al.*, 2018).

Today there are increasing pressures on businesses and corporations to address environmental, social and economic issues. In turn, companies are responding by using many different strategies to enact and demonstrate their corporate social responsibility or sustainability strategies and goals. Some companies focus their strategy on being "purpose-driven" or "values-based". Even without directly initiating a business in this way, some companies develop products that focus on addressing a social issue, like the relationship between poverty and payday loans. Others use their position and marketing power to extend research, encourage awareness, and foster behaviour change about an issue. Indeed, it is possible for companies to connect business risks with social and environment issues, and to use risk mitigation efforts to turn these issues into opportunities – for business development – and new ways to become part of solutions.

In doing so, it is possible – and even fruitful – for companies to engage customers and suppliers in these efforts. There is a growing realization that, to address today's complex issues, all sectors of society will need to work together collaboratively. For example, by reviewing the Truth and Reconciliation Commission recommendations, the United Nations Sustainable Development Goals, or by understanding concerns within their own operating communities and/or employee base, Canadian businesses can discover better ways to structure their community investment strategies in support of these initiatives and their relationships with community members, customers, and other stakeholders.

Addressing challenges through a blended model

Corporate foundations are one of the ways that businesses can engage with community members. In some cases, a foundation is the primary vehicle for this engagement. In other cases, a foundation is part of a suite of programs that include direct business contributions, marketing sponsorships, product innovation, supply chain management, and employee engagement. A foundation model works for businesses of all sizes, geographic scope, management structures and industries.

It is also true that CRA regulations for charitable foundations can create some barriers and additional expenses These barriers are not necessarily prohibitive – most of them are primarily related to requirements for separate audits and financial reporting. The more difficult challenges, however, come when a foundation is offered, or is looking for, extensive brand recognition or sponsorship opportunities. This restriction comes with the CRA's definition of a charitable gift as a "voluntary transfer of property without valuable consideration to the donor" (Government of Canada, 2018, p. 58) – or, put more simply, the transfer of an asset (usually cash) without expecting anything in return. By these rules, a company cannot expect promotion of its brand, which is a significant challenge for consumer-facing businesses.

In situations where companies feel recognition is necessary, they can either partially or fully support the initiative through a corporate community investment budget (i.e. not the foundation's budget). Similarly, corporate budgets can be used to fund any contributions to non-qualified donees, including many non-profit organizations that do not have charitable status,[2] Indigenous or stakeholder communities.

This possibility of pursuing a two-pronged or "both/and" approach (through *both* a corporate foundation *and* a community investment or sponsorship/marketing program) may be the most appropriate choice for some businesses. At Suncor Energy, for example, if a donation was expected to provide company benefit, then the community investment was paid by the company directly (instead of the foundation). In this case, Suncor split budgets by directing 70% of the company's overall community investment funds to the Suncor Energy Foundation, and allocated the other 30% to corporate community investment budgets.

Sources of revenue for corporate foundations

Every company will have to make its own decisions about these types of fund allocations. With this point in mind, let us turn to the various ways that corporate foundations are funded. Factors affecting the funding structure can include the type of business – whether it is regional or national; consumer-facing or business-to-business; public, private or co-op; product or service-focused. This section will discuss a number of ways that funds can be provided to foundations with these considerations in mind, and examples for each.

2 Many community initiatives are managed through non-profit organizations, rather than registered charities. Foundations are only permitted to donate funds to the latter.

Employee giving

As mentioned earlier, the earliest registered corporate foundations emerged as trusts for employee giving. These initial foundations or trusts would have been structural mechanisms to hold payroll deductions made by employees, with funds then disbursed to charitable organizations on behalf of the employees. In some cases, payroll contributions were pooled, and a group of employee volunteers served as a granting committee. In other cases, payroll deductions were first pooled with other retail fundraising activities before the employees decided which organizations would receive the grants. These approaches are still viable.

The Canada Post Community Foundation, for example, continues to operate in this manner. Funds raised through in-store campaigns, sales of special stamps and employee support are consolidated. Then employees review applications (almost 1,800 in 2017), and provide funding recommendations to a board of trustees. The board of trustees is chaired by the president and CEO for the organization. The board conducts the final evaluation of applications and ensures grants are awarded across Canada to support education, community projects, and health initiatives (Canada Post, 2018). From 2011 to 2017, the foundation has used this method to contribute over $6 million (CDN) to organizations across Canada.

In terms of employees deciding where to direct their donated funds, employee grants often go to organizations and programs that employees are actively volunteering with or are personally associated with. As employee-giving programs have matured and expanded to include multiple ways of supporting employee engagement, the programs have also become more complex and costlier to manage. As a result, companies and their foundations have looked for more effective ways to support employee giving. One increasingly popular option is the use of online intermediary platforms such as Benevity. This Canadian B Corporation, established in 2008, provides a software platform for businesses to manage employee programs such as volunteer involvement, grant processing and incentive programs. Benevity takes on the cheque-processing function, and streamlines the deposit of funds to the bank accounts of charitable organizations. Benevity's first clients included American and multinational companies such as Google, Microsoft, Apple, Coca-Cola, and Nike.

One of many Canadian businesses using this service is Meridian, a financial co-op that is based in Ontario. Meridian launched a Benevity employee engagement portal in 2015 to support their employee community investment programming. Using Benevity instead of their previous reliance on manual processes led to increased employee engagement, reaching more than 24% of the employee base. The Benevity system also offered Meridian benefits related to effectiveness and efficiency, because the platform consolidates all donations, offers multiple payment options for employees, and automatically issues tax receipts. The portal also incorporates standard metrics for the company's community investment staff, such as participation rates and up-to-date snapshots of employee giving and volunteering trends (Volunteer Canada, 2016).

The company is not the only one to benefit from this approach. By consolidating all donations from corporate clients into their own foundation (called the Canadian Online Giving Foundation), Benevity is also able to effectively and efficiently transfer gifts to Canadian charities. The scale of this benefit is sizeable: in 2015, the Canadian Online Giving Foundation made donations of over $26.9 million (CDN)[3] to qualified Canadian donees in 2017 (CRA). The consolidation of donations into Benevity's foundation can result in significant cost savings (De Lottinville, 2016). Consider: Benevity estimates that the cost to a charity for processing a donor cheque is as high as $30. If one assumes it costs as much (if not more) to get a cheque prepared within a corporation, the cost for each donation is in excess of $60 per gift. With most employee-matching gifts in the $100–$150 range, this math suggests that as much as 60% of a gift can be lost to processing.

Conversely, the Association for Financial Professionals (2015) estimates that the median internal cost for sending and receiving electronic direct deposit payments is $0.29, and the median external cost for sending and receiving these payments is $0.27, for a total cost of $0.56. In other words, the significant savings here should benefit both sides of the transaction by reducing operational expenses for both the corporate/foundation donor and the donee. Ideally, this result will increase the funds available for charitable work.

Customers and supplier engagement

Several foundations have been established to raise funds from both their employees and their customers. These foundations can be further sub-categorized into those that use funds to direct grants to other qualified charities, and those that use funds toward their own charitable purposes (which may also include contributions to qualified donees). Examples are described below.

The TD Friends of the Environment Foundation was founded in 1990 by the Toronto Dominion Bank and funds environmental projects across the country. With more than 180,000 donors, the Foundation has provided approximately $89 million to over 26,000 environmental programs and projects. Since the administrative costs of the foundation are covered by the TD Bank Group, 100% of every donated dollar is directed to environmental projects in local communities. In addition, the bank itself donates $1 million annually to TD Friends of the Environment. As customers become clients of TD Bank, they are asked if they wish to make a monthly contribution directly from their account to the TD Friends of the Environment (TD Friends of the Environment Foundation, 2018).

Another example is the Ronald McDonald House Charities, also registered as a public foundation. This foundation manages all the coinbox collections in restaurant sites across the country. They also receive funds from McHappy Day meal promotions and direct gifts. In 2016, these promotions

3 Funds are expressed in Canadian (CDN) dollars unless otherwise specified.

collected more than $9.7 million in unreceipted donations. The foundation provides operational support to the 15 Ronald McDonald Houses across Canada, 16 Ronald McDonald Family Room programs within hospitals, and the Ronald McDonald Care Mobile program. In this case, funds are collected from customers and the donations are managed by the foundation and directed to specific programs.

Next in our list of examples, the Montreal Canadiens Children's Foundation is a public foundation that raises its funds from 50/50 draws and other activities at professional hockey games, golf tournaments, and third-party fundraising efforts that seek contributions from fans. The foundation provides financial support to organizations in Quebec that work with young people living in underprivileged areas. The foundation has joined with the Canadian Tire Jumpstart Charities (Jumpstart) to present the Bleu Blanc Bouge programs that enable children to learn how to skate and handle a stick and which facilitate the construction of outdoor multisport rinks.

Jumpstart is an example of a private foundation that operates its own charitable programs and is therefore different from most granting foundations. Jumpstart's history dates back to 1992 when Canadian Tire created the Child Protection Foundation – which became the Canadian Tire Foundation for Families in 1999, and the Canadian Tire Jumpstart Charities in 2005 – to address the issue of inactivity among children across Canada (Jumpstart, n.d.).The program provides financial aid to children who otherwise might not be able to participate in organized sports and other physical activities. Funds help to cover registration, equipment and/or transportation expenses. Canadian Tire is the foundation's largest supporter and donor, and covers administrative costs.

As with McDonald's, therefore, 100% of customer donations go towards programming expenses. If funds are transferred directly to the corporate foundation or another charity, the business is eligible to receive a charitable tax receipt for these collected funds. In addition to donations from the company and customers, Jumpstart also receives funding from all levels of government, the company's dealers, employees, and vendors, and from third-party fundraising events. In 2017, Jumpstart used these multiple approaches to raise more than $24 million . With 14 different brands ranging from Canadian Tire, to Sport Chek, to Part Source, to L'Équipeur, Jumpstart is able to work with a core group of companies to help develop different fundraising strategies that support the work of each brand. The foundation has also been able to leverage the support of vendors in the companies' supply chain to assist in fundraising efforts – ranging from SC Johnson and 3M, to Dyson and Clorox. This integration of the company's charitable activities with its various brands is a leading-edge model of new corporate citizenship. Jumpstart is able to make a greater impact than might have occurred by simply providing grants to other charitable organizations.

Home Depot is operating in a similar way by engaging employees and suppliers to help them address youth homelessness. The Home Depot Canada Foundation started the Orange Door Project in 2009 by commissioning a white paper entitled *Social Purpose through Thought Leadership – Homeless in Canada: A Context for Action.* Since the paper's publication, they have invested more than $10 million in housing and community improvement projects across Canada, and currently collaborate with leading charities focused on youth homelessness, and directly with young people. Home Depot also engages their suppliers as advisory council members, which helps expand the program's impact. Employee and customer engagement programs have been aligned with the Orange Door Project, and the initiative is beginning to see positive outcomes, such as rising rates of employment for at-risk youth. Ultimately, the foundation has established a group of charitable partners to work closely with – not only by providing funds, but also by continuing to engage in research, impact assessments, and collaborative efforts that ultimately work to end youth homelessness (Home Depot Canada Foundation, 2013).

Maiwa is an example of customer and supplier engagement on a much smaller scale. This artisan textile company has retail offerings on Vancouver's Granville Island, and formed the Maiwa Foundation 20 years ago. Long before terms like "social purpose" described businesses that create both economic and social returns, Charllotte Kwon used her role as Maiwa's founder to re-invest profits to support the artists in India who were providing their products for Maiwa to sell. Maiwa offers access to suppliers and markets, but also works to further develop the artists' skills through education. When Kwon established the Maiwa Foundation in 1998, it was partly because customers were asking to join with Maiwa in supporting the artisans and their communities. Customers trusted that Maiwa would be able to invest the funds ethically, and that the funds could directly benefit communities in a way that would not be possible via larger aid organizations. The foundation typically raises $80,000 per year, with most funds coming directly from Maiwa's auctions of the artists' work. Funds then are used to provide small grants and no-interest, long-term loans to these artists and their communities.

Corporately funded foundations

A major source of funding for a corporate foundation is the corporation itself. By directing funds for community investment to a foundation, corporations are typically the biggest funders of their own foundations. This approach provides a unique benefit: once the money has been donated to a foundation, the gift has been made and the assets are retained by the foundation. This model allows for more stable financial management and charitable giving – including multi-year giving – regardless of economic conditions that might otherwise cause fluctuation in community investment budgets. As noted earlier, some companies will choose to split their community investment budget between their foundation and corporate budget. Examples of each are discussed below.

Founded in 2007, the PwC Charitable Foundation is relatively new and was created to help support the culture of PwC employees, partners and stakeholders in addressing issues that are important to them. By providing a centralized granting process and applying consistency to some investments, while also allowing partners to manage their own community investments within local communities, the foundation is able to support initiatives that their key stakeholders are interested in while supporting an overarching strategic issue or issues.[4] While the foundation is funded by PwC, it is also held at arm's-length from the company and can therefore increase both trust and transparency among those who might be skeptical about the role of business in society. At the same time, this approach allows PwC to address business drivers like recruitment and retention through their engagement with local communities.

The "both/and" solution of operating community investment through a foundation and through the corporation is also how RBC (Royal Bank of Canada) works. The RBC Foundation is consistently one of Canada's top granting foundations, and they also invest a significant amount annually from within their business operations. In 2017, RBC contributed over $98 million globally to more than 6,700 organizations, and this amount included $70.1 million contributed by the RBC Foundation. As is the case with PwC and others, both categories of donated funds are provided annually by RBC's annual earnings and disbursed to qualified donees. President and CEO Dave McKay states:

> → At RBC, we think of corporate citizenship as an approach to business in which we work to make a positive impact on society, the environment and the economy. A good company is purpose driven, principles-led, and performance focused. That's how we think a good company can help build a better world.
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> **RBC, 2018, p. 11**

With these "better world" objectives in mind, the RBC Foundation is guided to focus on specific initiatives. In 2017, the foundation celebrated the achievement of its target to invest $50 million in the RBC Blue Water Project. This 10-year initiative focuses on providing clean water (for drinking, swimming, fishing, etc.) and demonstrates how a corporate foundation can achieve outcomes within the environmental, social, and economic spheres. It also demonstrates that they were able to support cross-sector innovation and capacity building by creating 2,549 partnerships involving 319,336 volunteers. The initiative created 445 paid jobs, increased the protection and

4 PwC has chosen to invest in the issue of youth unemployment in Canada because "being young and unemployed is at the core of many societal issues such as: increases in the risk of poverty, low self-esteem, de-skilling, social exclusion and mental health issues. Data also shows that there is increased risk of loss of talent and skills to support Canada's advancing skilled labour force – especially within the digital and information technology sectors. This is a real issue for our clients and for our firm. That is why we are focusing our efforts on finding a solution to this important societal problem" (PwC, 2018, p. 8).

remediation of urban waterways, supported more efficient water usage, and increased knowledge about conservation.

To ensure the outputs and outcomes from the RBC Foundation are also linked to a bigger picture, the foundation has developed an "impact measurement framework" that allows them to measure and communicate how they are performing, and how their outcomes relate to the United Nations Sustainable Development Goals. In addition to the work that is facilitated by donations and grants provided through the foundation and RBC's wider business, the bank evaluates whether the creation of new business products can drive social benefit. Such products include social impact bonds, impact investments, and ways to support social entrepreneurs – further strengthening the depth and breadth of the overall community investment support that RBC provides.

Trico Homes, privately held, offers a different blended model of philanthropy. Based in Calgary, this business was founded by Wayne and Eleanor Chui. Trico uses company resources when a donation is a sponsorship or naming opportunity (e.g., the Trico Centre for Family Wellness, the Chui School of Business at Bow Valley College, or the Chinatown Street Festival). In 2008, they also created the Trico Charitable Foundation to give other types of donation – those that come with less brand recognition – and they decided to focus the foundation on social entrepreneurship and creative solutions to the sustainability of the non-profit sector. Wayne, upon being named to the Order of Canada in 2015, shared that "We are in business, but we have to make sure that we are able to marry the business to a positive impact in social society ... In our business, we are looking at affordable housing, looking to house people who need a hand up" (Smith, 2015, p. 3). Further to the foundation's focus on social entrepreneurship, their website profiles what they refer to as their Big Hairy Ultimate Goals (BHUGS), which envision "a unique contribution to the advancement of social entrepreneurship", in which the "financial becomes more social, [and the] social becomes more financial", as "social entrepreneurship goes mainstream" and "gaps in society are closed" (Trico Charitable Foundation, n.d., p. 5).

Suncor Energy also makes use of both a foundation and business line contributions. The company established the Suncor Energy Foundation in 1998 to centralize and focus its community investment efforts. In the 20 years since, the majority of the company's community investment has been managed through the foundation. The foundation's ability to work at arm's length and to build a "rainy day" or "reserve" fund has been a positive aspect – as suggested by Martin (1985), foundation models are a good fit for companies operating in highly cyclical industries (e.g. mining, agriculture, energy, forestry). Managing community investments from a foundation can help smooth the ups and downs of the business cycles that affect these types of industries; large gifts can be transferred by the company to the foundation in good years, and then those funds can provide a stable base for donations in leaner years.

There are obvious benefits of this approach to both the company and to the charitable sector (which is otherwise held at the mercy of an industry's ups and downs). The Suncor Energy

Foundation saw the truth in this philosophy as the price of oil dropped in 2015, sending Alberta into a recession. Through its use of the foundation model, Suncor was able to maintain donations to almost all community partners, even while other companies in the industry were making drastic cuts to community contributions. This enabled the Suncor Energy Foundation to continue as one of the top 20 grantmaking foundations in the country, measured by disbursement (Philanthropic Foundations Canada, 2015).

Business associations and member donations

Beyond corporate donations, foundations have also been funded through the operations of business associations or by contribution from members of those associations. While the following examples are not the largest foundations, they demonstrate the possibilities that can be realized through the creation of foundations that rely on receipt of local, place-based contributions. These foundations are often able to provide much-needed unallocated/unrestricted funding to local charities.

The Alberta Real Estate Foundation, for example, was established in 1991 under the *Real Estate Act*. The foundation is funded by real estate transactions across the province: "When a home buyer deposits money in trust through a real estate broker, the interest that's earned on the deposit is accumulated and forwarded to the Foundation for reinvestment in Alberta's communities" (Alberta Real Estate Foundation, 2014, p. 8). In turn, the foundation makes grants/donations that promote education of professionals and the public in relation to real estate, undertakes law reform and research related to the real estate sector, and/or funds other projects or activities that advance the sector and benefit the people of Alberta. Such goals are set out according to Section 64 of the *Real Estate Act*, and the foundation has worked within the Act to refine its scope so that it supports five key areas of funding (Alberta Real Estate Foundation, 2014). The foundation has contributed more than $18.5 million since being established, benefiting more than 550 projects in Alberta (Alberta Real Estate Foundation, 2018).

Chartered accountants present another type of profession that can work through a professional, regulated body to form a charitable foundation. The Chartered Professional Accountants Manitoba Foundation pools contributions from members, through both direct donations and event fundraising (e.g. golf tournaments). The foundation then turns these contributions into grants such as scholarships, bursaries, university programming, and awards, all of which ultimately "support the pursuit of quality business and accounting education" (CPA Manitoba, 2015).

Funding via asset transfers

A final category of corporate foundation revenue to consider is the asset transfer mechanism. Foundations in this case are initially funded by corporate assets, such as stock or cash transfers, and may not technically be considered corporate foundations. Once they are formed and an endowment is created, they become independent of the original funding source. These foundations may nevertheless be subject to restrictions on how assets can be used (e.g. restrictions put in place by the original donor).

The Mastercard Foundation is a recent example of this type of organization. A strategic business decision in 2006 to donate shares on the day of Mastercard Incorporated's initial public offering created Canada's largest foundation by assets. As part of that donation, there were a number of financial restrictions established that will be in effect until 2027 and beyond. These limitations will control the way in which the foundation can dispose of the original shares and convert them to cash (Mastercard Foundation, 2018). Philanthropic Foundations Canada (2015) reported that total assets of the Mastercard Foundation were $12.7 billion in 2015, with disbursements of $66 million – making it the largest foundation in Canada.

Another example here is the Medavie Health Foundation. In 2006, as the non-profit Medavie EMS Group of Companies was being formed to become the largest private provider of Emergency Medical Services in Canada, funds were contributed to create a charitable foundation. Today, the Medavie Health Foundation has a capital asset base of $50 million and the business is committed to contribute 10% of its annual net income to the foundation. Like many examples of foundations that have been highlighted here, this centralized model allows for more rigour in foundation governance and clear parameters for charitable contributions, greater innovation, and the ability to take risks and engage with more flexibility than government funders (Medavie Health Foundation, 2018).

A different model is the Shorefast Foundation, which is structured as a charitable organization but operates like a foundation. The mission of the Shorefast Foundation is to "build cultural and economic resilience on Fogo Island. [They] believe in a world where all business is social business" (Shorefast, 2018, p. 1). The organization's activities include: an internationally renowned artist-in-residence program; multiple academic-in-residence programs spanning the disciplines of geology, marine sciences, business, and the arts; the operation of a luxury inn to serve as a catalyst for local economic activity; a micro-lending fund; and other spin-off social enterprise activities to help improve the community's socio-economic conditions. Proceeds from the organization's three businesses (Fogo Island Inn, Fogo Island Shop, and Fogo Island Fish) go toward supporting social programs that range from boat building, to arts and culture, to geotourism. Ultimately, these initiatives help to build both cultural and economic resilience on Fogo Island, and demonstrate what businesses (and associated foundations) can do when it comes to creating both social and economic impacts.

Moving toward corporate social innovation

There is increasing pressure to create these kinds of shared-value partnerships between business and community to address complex societal and environmental issues – this approach is also referred to as corporate social innovation. The influence of corporate social responsibility and changing societal expectations have increased the stakes for corporate philanthropy. It is no longer enough to donate money alone; relationships and active participation are becoming more critical. The norms that have been in place for the last 20 years are beginning to shift in favour of finding new ways of working – in the community and within the corporations. Like the Shorefast Foundation, other corporate foundations are becoming better-positioned to step into this new space.

In 2010, Suncor Energy had established five-year targets related to environmental sustainability and the company was working towards those goals. As the company began planning for the next iteration of its goals beyond 2015, however, it identified a need to articulate a target for social performance in addition to environmental sustainability. With the involvement of staff from the Suncor Energy Foundation and the broader company, a process was undertaken to create a socially sustainability goal for Suncor – a goal that ultimately became focused on Indigenous Peoples. The Foundation became a key player in this process, as it had been investing and working with several Indigenous organizations for many years, and already held trusted relationships from which staff could ask difficult (and often very poorly worded and embarrassing!) questions that led to the goal's creation and later refinement.

The fact that these relationships were initially with the foundation and not the business meant that there were organizations and people who were prepared to engage with Suncor. In turn, foundation and company staff were also prepared to listen and think carefully about what they were told. Cathy Glover, one of the authors of this chapter, who worked at the foundation at this time, reflects: "We talked to Elders, and to youth. We took the opportunity to bring these people and their organizations together with Suncor employees and executives. Through a series of facilitated processes and multiple gatherings, we told stories; we cried; we came up with words for a goal; and then we re-worked the goal ... over and over."

This iterative process, though frustrating for many, enabled the foundation to co-create a social goal that addresses the need to change the way its staff think and act, so they can strengthen relationships with Indigenous Peoples and communities. Ultimately it identified that, if it wanted to effect a change, then its staff needed to change themselves. Once this conclusion had been arrived at, an action plan fell into place quite quickly, and the work transferred into the business as metrics and targets were established to measure progress. Throughout this process, the community partners and foundation staff played a unique role in helping to inform and design the goal, as well as the process leading to the goal. Moreover, the foundation's relationships played a role in keeping the social and community issues integral to the process.

Providing this example at Suncor is intended to briefly describe what can happen when a company and its foundation begin to explore shared values and complex social issues; it is not to suggest that Suncor has all the answers – the company and foundation continue to find ways to learn and improve their approach and their relationships. Putting relationship at the centre, however, has certainly helped support their work.

→ "Our collaborative approach allows us to work in partnership with communities to understand the needs that impact both society and Suncor," says Lori Hewson, director, community investment and social innovation. "Going forward, we're being more deliberate about focusing on the systems connected to three areas: Indigenous Peoples, energy futures, and community resilience. When we have a clear understanding of all the elements of a system – including who's involved, the roles they play, and how impacts are felt – we can be more strategic with our investments and better ensure they support transformative and lasting change."

Suncor Energy, 2017, para. 6

Innovation opportunities

Part of being strategic for a corporate foundation – and in thinking about corporate social innovation – is maintaining a connection to the purposes and drivers of the founding company. Unlike some other types of foundation, corporate foundations are unlikely to be completely free to choose their areas of focused giving. That said, corporate foundations can often take greater risks than companies whose community investment programs are limited solely to a business budget. Because foundations are still independent charitable entities, their governance boards can be proactive (as opposed to reactive to business needs) and also support initiatives that involve taking risks in funding provision – including initiatives with less certainty in outcomes (but greater certainty about the possibility of learning something more about an issue or system). Foundations are able to exercise greater flexibility in considering the full extent of a challenge – and its range of potential solutions – rather than feeling pressured to find and fund quicker fixes to directly involved organizations or groups. In other words, they are able to consider the types of program like the Home Depot Canada Foundation's Orange Door program, or RBC's Blue Water project. These programs are in support of the corporations' business, but not directly tied to business issues.

These examples demonstrate that a corporate foundation's opportunity to explore and innovate can lead to work that is complementary to the company's business activities and associated community engagement needs. In fact, a foundation's collaborative efforts with other social partners can help build trusting relationships externally, while simultaneously helping internal stakeholders to better identify and understand risks and challenges for the business and the community. In this way, the individuals staffing the corporate foundations can play important translator roles by bringing the outside in, and the inside out. All these benefits make it a wise move for organizations to consider the creation of a foundation that can extend a company's existing efforts and reputation.

As a company begins to examine its community investment program, or corporate social responsibility strategy, a foundation should be considered as a serious and viable option for innovation and for furthering the mission of the business. We believe that the corporate foundation model can work successfully in many types of businesses. It is possible for a business, and in many cases advantageous to it, to effectively manage its community investments in this manner. If the investment strategy is aligned with the mission of the organization and able to focus on issues and opportunities that the business might not be able to do directly, a foundation could provide a competitive advantage. The examples highlighted above demonstrate different business models and methods of providing funding to a foundation that can ultimately offer a long-term investment and source of ongoing strategic and social advantage.

It takes time and resources to go through the regulatory process to attain charitable status – and it requires the business's commitment to ongoing funding and other support – but the foundation model can be a powerful option for business leaders who want to make meaningful investments in community organizations while still maintaining alignment with business mission and strategy.

Charitable organizations need to understand the shifts that are occurring with corporate community investment and corporate foundations. As expectations shift and as foundations learn to be more proactive, they will begin to change the focus of their investments. We predict that there will be more focused investments like those found within the Home Depot or RBC foundations. If charities want to work with foundations that want take a big-picture perspective, or systemic approach to their activities, this may also require a different (e.g. more co-creative) relationship between the charity and corporate funder.

Over the next ten years we believe that individuals working in corporate foundations will play a critical role in helping business understand its current and potential position in society. Foundation staff and management will need to become innovators, facilitators, incubators, and internal advocates for the purposes of exploring new ways of working together across sectoral boundaries. Foundations will become a go-to place for those beginning to forge relationships, create trust, and develop solutions between businesses and community organizations.

Conclusion

The way we think about business and its role in society is changing. With more and more pressure for businesses to think about social value, social purpose, shared value or any of the other emerging terms, the connections between community organizations and business will grow in importance. A move toward new ways of engaging and working with corporate foundations is one way to begin the shift for businesses to engage differently with society. A corporate foundation model allows for unique relationships to develop that will inform, engage, and co-create strategies.

The role that corporate foundations play within a community and within a business will differ depending on the revenue stream – as will their methods for engaging employees, customers, stakeholders, vendors, and others. By utilizing a "both/and" approach (through *both* a corporate foundation *and* a community investment or sponsorship/marketing program), a business is able to mitigate the challenges of operating a foundation while adhering to CRA regulations. A foundation can provide benefits by centralizing programs, creating greater transparency, allowing for greater risk taking, building trust, planning for cyclical financial futures, and entering into difficult conversations and relationships. The foundation model is not the solution for every business, but this chapter has provided a glimpse of how the model can be used to benefit businesses both large and small. Foundations can work for cooperatives, non-profits, companies that focus on sales to other businesses, and companies that sell directly to consumers. Corporate foundations offer benefits to both the community and the business. As some foundations begin to focus on specific social issues (e.g. homelessness and affordable housing, water sanitation and conservation, youth employment, healthcare, sport and recreation), and others on processes and capacity building (e.g. in social innovation, economic and community development, and social enterprise), they are demonstrating the important impact they are likely to have on the Canadian foundation landscape.

Three key takeaways

1

A foundation can provide benefits by centralizing programs, creating greater transparency, allowing for greater risk-taking, building trust, planning for cyclical financial futures, and entering into difficult conversations and relationships.

2

To address both charitable and non-charitable investment, a two-pronged approach of *both* a foundation *and* a corporate budget is recommended.

3

Foundations can have clear governance and strong fiscal management and yet still be innovative and take risks that may result in longer-term positive change within both the corporation and the community.

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