

# L'Année PhiLanthropique

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PhiLab

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**À propos du PhiLab | About PhiLab**

Le **Réseau canadien de recherche partenariale sur la philanthropie** (PhiLab), anciennement Laboratoire montréalais de recherche sur la philanthropie canadienne, a été pensé en 2014 dans le cadre de la conception de la demande de financement du projet développement de partenariat CRSH intitulé « Innovation sociale, changement sociétal et Fondations subventionnaires canadiennes ». Ce financement a été reconduit en 2018 sous le nom d'« Évaluation du rôle et des actions de fondations subventionnaires canadiennes en réponse à l'enjeu des inégalités sociales et des défis environnementaux ». Depuis ses débuts, le Réseau constitue un lieu de recherche, de partage d'information et de mobilisation des connaissances des fondations canadiennes. Des recherches conduites en partenariat permettent la coproduction de nouvelles connaissances dédiées à une diversité d'acteurs : des représentants gouvernementaux, des chercheurs universitaires, des représentants du secteur philanthropique et leurs organisations affiliées ou des partenaires.

Le Réseau regroupe des chercheurs, des décideurs et des membres de la communauté philanthropique à travers le monde afin de partager des informations, des ressources et des idées.

The **Canadian network of partnership-oriented research on philanthropy** (PhiLab), previously called the Montreal Research Laboratory on Canadian philanthropy, was thought up in 2014 as part of the conception of a funding request by the NRCC partnership development project called “Social innovation, social change, and Canadian Grantmaking Foundations”. From its beginning, the Network was a place for research, information exchange and mobilization of Canadian foundations’ knowledge. Research conducted in partnership allows for the co-production of new knowledge dedicated to a diversity of actors: government representatives, university researchers, representatives of the philanthropic sector and their affiliate organizations or partners.

The Network brings together researchers, decision-makers and members of the philanthropic community from around the world in order to share information, resources, and ideas.



Social Sciences and Humanities  
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# ÉTUDES DE CAS | CASE STUDIES

De quoi parlons-nous au niveau des communautés?  
What is being discussed on the community level?



Artiste | Artist: Mélika



# ÉTUDES DE CAS | CASE STUDIES

## Never first priority on a Monday morning: Openness and transparency in Australian community foundations

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### Introduction

What are the situations where transparency and openness are required from community foundations? Like their global philanthropic funding peers, community foundations are working hard against strong headwinds to support their beneficiaries, remain sustainable and indeed grow, and engage more deeply with their wider communities. In the following pages, we identify and discuss five situations where questions around transparency are front-of-mind for community foundations in Australia in 2022. These are situations where:

1. Grant decisions are made
2. Indirect operating costs are disclosed
3. Trustees or directors are appointed
4. Donors to sub-funds (DAFs) are reviewed
5. Investments are directed

For each situation, we explore drivers of openness and transparency, and also consider costs. We provide illustrative examples of Australian community

foundations that have made public their perspectives on each situation, highlighting experiences from a range of foundation sizes, ages, and geographic locations. We conclude with a reflection on costs and policies as two key emergent themes and put forward some suggestions for future directions.



## Five situations where transparency and openness are front of mind

### 1. Situations where grant decisions are made

Participatory grant making (where communities impacted by funding decisions have decision-making power) has clear links with openness and transparency. But who decides who gets to participate, and on what basis are community representatives chosen? How 'community' is defined and represented is an overlooked issue in participatory grant making, considering the risk of reproducing and legitimising existing power structures. In other words, it is a question of who makes the rules, and what legitimacy they have to do so. This is a recurring debate and an area where greater transparency may be beneficial.

Community foundations usually move towards participatory grant making in steps, beginning with panels or committees that review grants, and building over time a fully developed participatory model that reflects and represents those impacted by issues in a region. Give Where You Live Foundation in Victoria has a ['Community Grant Review Panel'](#)—an example of involving community in grant decisions.

The importance of donors' wishes is another tension point for transparency. Community foundations may find themselves caught in a delicate balancing act, managing donor wishes and community need. The question whether a community foundation's allegiance lies with its community or its donors is

considered in the academic literature specifically for the Australian context (Leat, 2004; Fuller, 2014); it remains an ongoing debate.

Transparency is also relevant to how closely grant making practices are linked to the community foundation's mission statement/purpose in its governing documents. Publishing grant making criteria at first appears as a move towards greater transparency, yet 'concretizing selection criteria and rendering them public...may make it more difficult for foundations to develop new philanthropic strategy and respond to emerging priorities' (Glass & Brouard, 2015, p. 10 citing Leat, 2007). In such cases, the initial act of making grant criteria transparent may over time have the unintended consequence of limiting agility and ability to respond to new and emerging community needs, which are often cited as strengths of community foundations.

A similar dynamic can occur in relation to grant progress reporting and acquittals. Where 'transparency' equates to more, and more detailed information, grantee organisations that are better equipped to fulfil data and reporting requirements are more likely to receive funding. This may not be the best way of ensuring that funding goes to the groups that address a community's real priority needs.

The Albany Community Foundation in Western Australia is working towards collecting (and filming) stories from individuals who have received grants in an innovative example of a community foundation being open to a more relationship- and trust-based reporting model. This approach is at an early stage and focuses on testimonials and thank-you messages. It brings new meaning to 'openness'. It also illustrates that trust is the essential currency for community foundations working in and with their communities.

Grant making is perhaps the part of a community foundation's work that receives most attention. Clarity and visibility around decision-making support perceptions of fairness and equity, and evidence to beneficiaries the thoughtfulness and strategy involved in grantmaking.

### 2. Situations where indirect operating costs are relevant

Operating costs are perhaps the situation where community foundations are most likely to obfuscate. Current movements to "pay what it takes" or "pay the

rent” intrinsically require full disclosure of costs, and are usually funder-driven, not grantee-driven.

Community foundations may never have fully costed their operations. In part, this would be due to the volunteer nature of the sector. In Australia in the 2021 financial year, the ratio of volunteers to paid staff members in the community foundation sector was seven to one. Very few of these foundations have specialist business or operations managers or CFOs who have experience with activity-based costing models to quantify the actual costs of activities, from organising an event to managing a grant round. The same applies to most of their grantees who are also unlikely to disclose full costs, budget comprehensively, or request full funding, based on the idea that volunteer time is a zero-cost input.

Community foundations may suffer from a legacy of believing they are more attractive to donors or funders if less money is spent on overheads and administration. This is a very traditional view of charities and there may be generational issues at play whereby views more common in the past endure with trustees of long tenure. There is a clear role for education by peak bodies (national membership associations with a focus on representation and advocacy) and leadership by prominent foundations.

Instances where some community foundations proudly declare that 100% of all donations go to grantees do more harm than good. Far from being transparent, statements of this kind may be more wishful than factual.

The Buderim Foundation in Queensland offers an alternative approach by seeking sponsorship to cover its administrative costs so that all donations go towards community causes. “The funds are never spent thanks to our three very committed Sponsors, our volunteers who donate their time and talent, and our fundraising events—all of which cover our administration costs. (Buderim Foundation, 2022).

### 3. Situations where board members or trustees are appointed

Appointments to community foundation governing boards or trustees may be based on pre-existing relationships, in some cases with no formal and transparent recruitment process undertaken.

At first glance, a relationship-based system of

governance appointments may appear to be cause for concern. Yet regulating against this poses a potential risk to community foundation emergence and growth especially in regional or rural communities where most of these foundations operate and where the local population is relatively small and stable, personal relationships are long established, and diversity and/or professional skills are often in short supply. Ultimately this means that even where there is a formal process, most if not all applicants will be known to the foundation leaders undertaking recruitment and underlying relationships will have some bearing on appointment decisions.

It would be inequitable to single out community foundations for this practice when ‘old school tie’ kinds of relationships are also at work in top-end-of-town appointments to corporate, government or NGO leadership roles. Those usually follow formal appointment processes that are ostensibly open and transparent yet result in a disproportionate number of appointments of people from very similar backgrounds to key positions.

A skills matrix is regarded as a key tool for open and transparent recruitment, yet this tends to privilege attributes such as formal education, senior management experience, and age/life experience over community-level expertise or ‘skin in the game’. Diversity, equity, and inclusion (DEI) principles often do not align with skills matrices for this reason, and it can be hard for community foundations to reconcile valuing skills with valuing representation.



The Inner North Community Foundation in Victoria has created a Board Associate Program which actively addresses DEI principles to combat inherent biases within skills matrices. The program seeks applications

'from women, people under 40 years of age, and people from diverse cultural backgrounds' to ensure the board reflects the community it serves. Board Associates attend all board meetings and strategy sessions, to observe and provide input as appropriate. They are also engaged at a committee level, supporting the annual grants assessment process. The program helps build a pool of potential candidates for future Inner North Community Foundation director positions, and develops the capacity of local people to serve on other not-for-profit boards.

Community foundations are focused on long-term sustainability and growth. They work hard to secure the strongest leadership appointments they can within their specific circumstances. Pandemic-induced population shifts—younger professionals relocating from the capitals to the regions—are cause for cautious optimism for regional community foundations, while innovative approaches like that of the Inner North Community Foundation can help adoption of better practices by the whole sector.

#### 4. Situations where donors to sub-funds (DAFs) are reviewed

When sub-funds or named management accounts (known in the US as Donor Advised Funds or DAFs) are offered to major donors, there may be a misalignment of donors' wishes with community needs. Australian community foundations are not required to report on number of sub-funds held, names of sub-funds, or amount held in them, although some choose different levels of voluntary disclosure and accountability (Williamson, 2017). This opting in by some Australian community foundations offers interesting cases of embracing transparency and openness, and suggests different levels of disclosure around sub-funds (see Table 1 in Appendix).

#### 5. Situations where investments are directed

Building permanent financial assets for community benefit is a core feature of the community foundation model. Investing funds under management is therefore core business for these foundations to grow an endowment and the capacity to sustain local giving in perpetuity. However, relatively few community foundations publicly disclose information about how they manage their investments.

Investment of funds under management usually represents over 90% of a foundation's financial affairs,

whereas grants distributed commonly represent under 10% of the value of the asset base. It is interesting that most foundations are scrupulous about transparency relating to their grant making yet investment practices are rarely transparent.

An example of a foundation that is taking a different approach is the Australian Communities Foundation (ACF). Based in Victoria, ACF operates nationally and offers fund management services to sub-fund holders and not-for-profit organisations. ACF recently released a Responsible and Impact Investment Policy which states 'ACF has taken a public stand against the following activities and considers them to be harmful to people and planet. Accordingly, we screen out of our investment portfolio...' (Australian Communities Foundation, p. 8).



#### Conclusions and reflections

Echoing a key finding from Buteau et al. (2016), Australian community foundations appear most transparent about their grant making processes, their goals and strategies...and 'less transparent when it comes to sharing how they assess their performance or their lessons learned, despite their belief that it would be beneficial to do so.' (p.5). Openness and transparency rely on policies and procedures. Community foundations can document and publish policies and processes to demonstrate that they want to be open and transparent about their decision-making framework. Making documents available takes the onus off the public to request them, and enables sharing of information without privileging certain audiences over others (although there is an inherent and often overlooked assumption that everyone has regular and reliable internet access).

Learning from 'failure' is another, often-ignored

benefit of transparency: “Enhanced credibility is seen as a potential benefit of sharing information, especially if foundations talk about their failures and not just their successes. Sharing information can also enable foundations working on the same issues to learn from one another, resulting in fewer mistakes and less waste” (Buteau et al., 2016, p.7). By not sharing lessons learned, foundations miss a valuable opportunity to adjust and renew their policies and procedures. Because Australia’s network of community foundations is relatively young, communication and collaboration are still developing. As the network’s support organisation Community Foundations Australia grows, connections and relationships are strengthening, fostering peer learning and resource sharing.

If transparency is always good, is more transparency necessarily better? The critique of transparency itself holds that it has the potential to reduce trust, to work against anything long-term which takes time to mature, that it leads to synchronisation and conformity and discourages diversity (Han, 2015). Could complete transparency and openness counteract the bespoke nature of community foundations, which respond to and are formed by their communities? It makes sense, then, that there is no consistent understanding or practice of transparency across Australia’s community foundation network.



A commitment to transparency and openness comes with costs and these are not always apparent. Transparency at an organisational level may incur costs for individuals, particularly in small communities where disclosures by a community foundation may inadvertently disclose information about individuals (Williamson et al., 2019). Being transparent requires time and expertise in data collection, communication,

and policy development. For community foundations, there is always the question—what could be done with these resources instead?

On the other hand, what are the costs of appearing less than open? What stops community foundations from being open and transparent in everything they do? Often the work required is important but not urgent, and there are more pressing priorities for staff, leaders, and volunteers. Thus transparency may be an aspirational goal—yet it’s never first priority on a Monday morning.

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## Appendix

Table 1. Levels of community foundation disclosure around sub-funds

Level of disclosure around sub-funds	Description	Example of an Australian Community Foundation at this level of disclosure
None	No evidence of sub-funds being held by the community foundation is publicly available	None currently known
Report in aggregate	Sub-funds are reported by number or total assets only	<ul style="list-style-type: none"> <li>• Mirboo North &amp; District Community Foundation</li> </ul>
Profile selected sub-funds as exemplars	With their active agreement, a small number of sub-funds are profiled as exemplars for future donors	<ul style="list-style-type: none"> <li>• Bass Coast Community Foundation</li> </ul>
Name all sub-funds in a report/webpage	The names of all sub-funds held are publicly listed, either on a webpage or within a downloadable report	<ul style="list-style-type: none"> <li>• Australian Communities Foundation</li> <li>• Ballarat Foundation</li> <li>• Border Trust</li> <li>• Foundation SA</li> <li>• Fremantle Foundation</li> <li>• Geelong Community Foundation</li> <li>• Hands Across Canberra</li> <li>• Inner North Community Foundation</li> <li>• Into Our Hands Community Foundation</li> <li>• Lord Mayor's Charitable Foundation</li> <li>• South West Community Foundation</li> <li>• Stand Like Stone</li> <li>• Tomorrow Today</li> </ul>
Name all sub-funds with financial information (assets, distributions)	A listing of all sub-funds disclosing the amount of either assets or distributions (grants) for the most recent reporting period, or since establishment	<ul style="list-style-type: none"> <li>• Eyre Peninsula CF (lists assets not distributions)</li> <li>• Foundation Barossa (assets only)</li> <li>• Mackay Community Foundation</li> <li>• Northern Rivers Community Foundation (assets only)</li> <li>• Sydney CF (lists distributions not assets)</li> </ul>
Name all sub-funds with financial information and grant making purposes/criteria	A detailed report on all sub-funds naming founders/donors, providing data on their assets, distributions, as well as their interests/purposes and grants made	None yet

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