



**FUNDERS'  
PERSPECTIVES  
ON  
UNRESTRICTED  
FUNDING  
IN CANADA**



**TRUST &  
IMPACT**

**IM△GINE  
CANADA**

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## About Imagine Canada

Imagine Canada is a national charitable organization whose cause is social good in Canada. We work to bolster the charities, nonprofits, and social entrepreneurs who build, enrich, and define our nation and the communities they support around the globe.

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# Introduction

## KEY TERMS

**Unrestricted funding:** Funding that is given to charities without any strings attached, meaning the charities can use the money according to their mission.

**Funder:** An institution that gives money for philanthropic purposes. Examples include foundations, governments, and corporations.

**Charities, nonprofits, grantees, funded organizations:** Refer to the organizations that receive funds from the funders. They do have important distinctions in specific contexts.

**Qualified donee:** Under the Income Tax Act, qualified donees are organizations that can issue official donation receipts for gifts they receive from individuals and corporations, and to which registered charities can make gifts.<sup>1</sup> Qualified donees are typically (but not exclusively) registered charities.

## UNRESTRICTED FUNDING IS INCREDIBLY VALUED BY NONPROFITS, BUT HAS BEEN LACKING FOR DECADES

Data from the U.S based Center for Effective Philanthropy's Grantee Perception Report found that in the 10 years before the pandemic, only 21% of grants were for general operating support, and only 12% of grants were for multi-year operating support.<sup>2</sup>

While evidence is sparse, it seems the nonprofit sector has faced a decades-long decrease in unrestricted funding. One long-term study with a substantial number of grants in the education sector of the United States found that in 1988, 19.1% of dollars were unrestricted. By 1998, that had been almost cut in half to 10.4%, and by 2018, it was down to only 7.2% of total dollars.<sup>3</sup>

A 25-year study in the United States found a "definitive downward trend in reported overhead costs, reflecting a deep cut in administrative costs", pointing at reduced unrestricted funding as one cause of this trend.<sup>4</sup> Evidence from Germany likewise shows that nonprofits are decreasing their overhead ratios over time.<sup>5</sup>

While data from Canada is also lacking, a number of studies from the early 2000s made the point that the decline in unrestricted funding was already a growing and critical challenge for nonprofits.<sup>6,7</sup>

The psychological aspect of this is clear: donors are less inclined to support overhead costs. An influential field study of 40,000 potential donors published in the journal *Science* found informing donors that overhead costs are covered by other donors led to potential donors giving 75% more.<sup>8</sup>

## WHY THE SCARCITY OF UNRESTRICTED FUNDING MATTERS

One of the most popular nonprofit articles of the last two decades argues that nonprofits operate on a starvation cycle, driven by "funders' unrealistic expectations about how much it costs to run a nonprofit."<sup>9</sup> The cycle results in nonprofits "spending too little on overhead" and "under report their expenditures," resulting in a continual expectation for nonprofits to do "more and more with less and less — a cycle that slowly starves nonprofits."

<sup>1</sup> [www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/qualified-donees.html](http://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/qualified-donees.html)

<sup>2</sup> Buteau, Ellie, Satia Marotta, Hannah Martin, Naomi Orensten, and Kate Gehling. "NEW ATTITUDES, OLD PRACTICES: The Provision of Multiyear General Operating Support," 2020. [http://cep.org/wp-content/uploads/2020/11/Ford\\_MYGOS\\_FNL.pdf](http://cep.org/wp-content/uploads/2020/11/Ford_MYGOS_FNL.pdf).

<sup>3</sup> Genevieve G. Shaker. "Three Key Questions for Higher Education Philanthropy in 2020 and beyond | TIAA Institute." TIAA Institute, 2020. <https://www.tiaainstitute.org/about/news/three-key-questions-higher-education-philanthropy-2020-and-beyond>

<sup>4</sup> Lecy, Jesse D., and Elizabeth A.M. Searing. "Anatomy of the Nonprofit Starvation Cycle: An Analysis of Falling Overhead Ratios in the Nonprofit Sector." *Nonprofit and Voluntary Sector Quarterly* 44, Volume 3 (June 9, 2015): 539–63. <https://doi.org/10.1177/0899764014527175>.

<sup>5</sup> Schubert, Peter, and Silke Boenigk. "The Nonprofit Starvation Cycle: Empirical Evidence From a German Context." *Nonprofit and Voluntary Sector Quarterly*, Volume 48, no. 3 (January 24, 2019): 467–91. <https://doi.org/10.1177/0899764018824669>.

<sup>6</sup> Eakin, L., & Richmond, T. (2004). Community service organizations at risk. *The Philanthropist*, 19(4), 261–272.

<sup>7</sup> Scott, Katherine, and Deborah Pike. "FUNDING MATTERS ... FOR OUR COMMUNITIES Challenges and Opportunities for Funding Innovation in Canada's Nonprofit and Voluntary Sector," 2005. <https://www.ccsd.ca/resources/FundingMatters/PDF/p2report.pdf>.

<sup>8</sup> Gneezy, U., Keenan, E. A., & Gneezy, A. (2014). Avoiding overhead aversion in charity. *Science*, 346(6209), 632–635. [https://doi.org/10.1126/SCIENCE.1253932/SUPPL\\_FILE/GNEEZY.SM.PDF](https://doi.org/10.1126/SCIENCE.1253932/SUPPL_FILE/GNEEZY.SM.PDF)

<sup>9</sup> Gregory, A. G., & Howard, D. (2009). The nonprofit starvation cycle. *Stanford Social Innovation Review*, 7(4), 49–53.

A recent paper in *The Foundation Review* argued that unrestricted funding may break the nonprofit starvation cycle and cited several examples that seem to corroborate this hypothesis, though noting empirical evidence still needs to be collected.<sup>10</sup> The study cited preliminary evidence and arguments that unrestricted funding was associated with greater organization flexibility and agility, stronger infrastructure, better ability to achieve mission, and greater accomplishment of strategic goals.

A practitioner study from the United Kingdom shows how much charities value unrestricted funding over other types of funding. The researchers found that the average charity would trade in a £1million restricted grant to get just half as much unrestricted income.<sup>11,12</sup> The fact that many charities value unrestricted funding twice as much as restricted funding is perhaps the clearest sign of its incredible importance.

### THE RESURGENCE OF UNRESTRICTED FUNDING DURING THE PANDEMIC

The lack of unrestricted funding has been lamented by nonprofit leaders for more than a decade.<sup>13,14,15</sup>

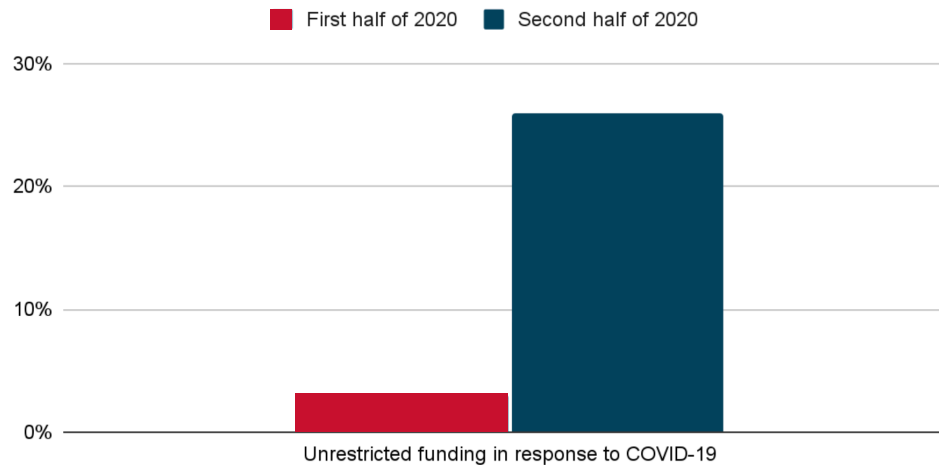
But the pendulum has perhaps started to swing again, with the first signs of increases to unrestricted funding in decades.

Almost instantly, once the pandemic struck, the frequency for worldwide Google searches for terms such as “unrestricted funding,” “trust-based philanthropy,” and “general operating support” all more than doubled in March 2020 versus February 2020. Searches remain similarly elevated through the writing of this report in March 2022.<sup>16</sup>

A study by Candid, a nonprofit which researches the sector, found that of the \$11.9 billion of giving in response to COVID-19 tracked worldwide in the first six months of 2020, only 3% was unrestricted or flexible.<sup>17</sup>

For the second half of 2020, an additional \$4.4 billion of giving was tracked around the world (excluding \$4 billion in unrestricted funding from one large donor).<sup>18</sup> Of that, 26% was unrestricted, showing staggering increases in unrestricted funding in such a

Percentage of COVID-19 philanthropy that was designated unrestricted or flexible



Source: Candid (see footnotes 17, 18 and 19).

<sup>10</sup> Hunnik, O., De Wit, A., & Wiepking, P. (2021). (In) equality Through Unrestricted Grantmaking: Examining Trust and Power in the Collaboration Between the Dutch Charity Lotteries and Their Grantees. *The Foundation Review*, 13(2), 7.

<sup>11</sup> David Ainsworth. “Charities Value Unrestricted Funds Twice as Much as Restricted, Research Finds,” 2018. <https://www.civilsociety.co.uk/news/charities-would-take-500-000-unrestricted-funding-over-1m-restricted-research-finds.html>.

<sup>12</sup> Charities value unrestricted funds twice as much as restricted, research finds. (2018). <https://www.civilsociety.co.uk/news/charities-would-take-500-000-unrestricted-funding-over-1m-restricted-research-finds.html>

<sup>13</sup> Gregory, A. G., & Howard, D. (2009). The nonprofit starvation cycle. *Stanford Social Innovation Review*, 7(4), 49-53.

<sup>14</sup> Starr, Kevin. “Just Give ‘Em the Money: The Power and Pleasure of Unrestricted Funding.” *Stanford Social Innovation Review*, August 2011. [https://ssir.org/articles/entry/power\\_and\\_pleasure\\_of\\_unrestricted\\_funding#](https://ssir.org/articles/entry/power_and_pleasure_of_unrestricted_funding#).

<sup>15</sup> “Calling All Billionaires: Fund Organizations, Not Projects | Philanthropy Central,” July 19, 2020. <https://cspcs.sanford.duke.edu/blogs/calling-all-billionaires-fund-organizations-not-projects>.

<sup>16</sup> Data source: Google Trends. Analysis by authors, data accessed February 21, 2022.

<sup>17</sup> Suzanne Coffman, Ruja Entcheva, Tanya Gulliver-Garcia, Supriya Kumar, Kristina (“Yna”) C. Moore, Betty Saronson, Grace Sato, and Regine A. Webster. “Philanthropy and COVID-19 in the First Half of 2020.” *Candid*, August 26, 2020. <https://doi.org/10.15868/SOCIALSECTOR.37232>.

<sup>18</sup> *Candid and Center for Disaster Philanthropy. “Philanthropy and COVID-19: Measuring One Year of Giving,” 2021. https://www.issueab.org/resources/38039/38039.pdf.*

short period of time<sup>19</sup>, though the reasons for this are complicated by the nature of an ever-unfolding pandemic.

Once tried, the enthusiasm for maintaining unrestricted funding appears incredibly high. In May 2020, Peak Grantmaking surveyed a broad set of funders and found 57% of funders unrestricted their grants, and that nearly all (93%)<sup>20</sup> of those funders anticipated keeping the changes.

### UNRESTRICTED FUNDING IN CANADA DURING THE PANDEMIC

In Canada, a joint statement in March 2020 from Community Foundations of Canada, Philanthropic Foundations Canada, Environmental Funders Canada, and the Circle on Philanthropy lead off with recommendations that funders “convert restricted grants to unrestricted funds or, at a minimum, loosen restrictions on existing grants.”<sup>21</sup>

Research from Philanthropic Foundations Canada found that through November 2020, 56% of surveyed funders removed restrictions on existing grants.<sup>22</sup> An academic study published in Canadian Journal of Nonprofit and Social Economy Research

reviewing studies from the first year of the pandemic using a case study approach found that one of the themes among their interviewees was that many grantmaking foundations have “loosened the rules, regulations, and restrictions on grantees.”<sup>23</sup>

### A CHANGE IN ATTITUDE TOWARD UNRESTRICTED FUNDING

The shift toward more unrestricted funding is partly due to more funders rethinking the real costs of running an organization that delivers projects and programs, and how to evaluate the impact of that work.<sup>24</sup> Many funders have traditionally shied away from unrestricted funding because they perceived administration/overhead costs as separate from the projects that nonprofits were implementing, and therefore less worthy of support.

The Bridgespan Group famously reviewed the costs of 20 well-known, high-performing nonprofit organizations and found that “of the nonprofits we surveyed, indirect costs made up between 21 percent and 89 percent of direct costs”, and “the median indirect cost rate for all 20 nonprofits was 40 percent, nearly three times the 15 percent overhead

rate that most foundations provide.”<sup>25</sup> It is important to note they look at indirect costs, that is to say, “all costs that are not directly attributable to a project,” excluding fundraising, which covers a broader set of costs than is typically considered under administrative costs.

There is also a greater appreciation that in order to achieve their mission, nonprofits need funding for organizational health and resilience, and this includes funding for staff salaries and benefits, as well as for technology, so that organizations are well equipped to carry out their work.

In its 2020 publication *New Attitudes, Old Practices: The Provision of Multiyear General Operating Support*, The Center for Effective Philanthropy reported that foundation CEOs were more positive toward grants for general operating support in 2019–20 (prior to the pandemic), compared to when they had previously been surveyed in 2006.<sup>26</sup> The report found that CEOs now view general operating support grants as more effective than program/project support, whereas in 2006, foundation CEOs viewed project/program grants as more effective for

<sup>19</sup> Calculations by authors combining totals from Candid’s report on the first six months of 2020 and the full year 2020.

<sup>20</sup> This corresponds to 57% of all respondents who indicated they had made changes and 53% of all respondents who said they intended to keep them. Sines, M. (2020, May 12). COVID-19 Grantmaking Survey: How are practices evolving — and what will stick? PEAK Grantmaking. [www.peakgrantmaking.org/insights/covid-19-grantmaking-survey-how-are-practices-evolving-and-what-will-stick/](http://www.peakgrantmaking.org/insights/covid-19-grantmaking-survey-how-are-practices-evolving-and-what-will-stick/)

<sup>21</sup> A COVID-19 Statement from CFC, PFC, EFC, and The Circle on supporting grantees – Community Foundations of Canada. (2020). <https://communityfoundations.ca/a-covid-19-statement-from-cfc-pfc-efc-and-the-circle-on-supporting-grantees/>

<sup>22</sup> Ontario Nonprofit Network. “COVID-19 Surveys.” Accessed September 29, 2020. <https://theonn.ca/our-work/covid-survey-2020/>.

<sup>23</sup> Candid and Center for Disaster Philanthropy. “Philanthropy and COVID-19: Measuring One Year of Giving,” 2021. <https://www.issuelab.org/resources/38039/38039.pdf>.

<sup>24</sup> Eckhart-Queenan, J., Etzel, M., & Prasad, S. (2016). Pay-What-It-Takes Philanthropy. Stanford Social Innovation Review, Summer 2016. [https://ssir.org/op\\_for\\_debate/article/pay\\_what\\_it\\_takes\\_philanthropy](https://ssir.org/op_for_debate/article/pay_what_it_takes_philanthropy)

<sup>25</sup> Eckhart-Queenan, J., Etzel, M., & Prasad, S. (2016)

<sup>26</sup> Buteau, Ellie, Satia Marotta, Hannah Martin, Naomi Orensten, and Kate Gehling. “NEW ATTITUDES, OLD PRACTICES: The Provision of Multiyear General Operating Support,” 2020. [http://cep.org/wp-content/uploads/2020/11/Ford\\_MYGOS\\_FNL.pdf](http://cep.org/wp-content/uploads/2020/11/Ford_MYGOS_FNL.pdf).

assessment of grantee results and grantee accountability, among other areas. The organization has been advocating for more unrestricted funding, so it's worth keeping in mind that this shift does not necessarily reflect a broad consensus among all funders, in contrast to those in their network.

### WHERE IS FUNDING IN CANADA NOW AND WHERE IS IT GOING?

While trends are clearly turning toward unrestricted funding, relatively little research has looked at the current state for unrestricted funding in Canada, especially after early 2021.

The most recent data we have from Google suggests that enthusiasm is not waning, but gaining worldwide.

Worldwide Google search volumes for "general operating support" in the first two months of 2022 have increased even further than the doubling in the first months of the pandemic, with relative search volumes three times higher than in February 2020.<sup>27</sup>

### INTERVIEWING CANADIAN FUNDERS ABOUT CURRENT TRENDS

In the wake of these trends, this report examines the state of unrestricted funding in Canada through interviews with almost two dozen Canadian funders. Many of these funders, especially those participating in national networks, increased their levels of unrestricted funding over the past two years. We asked them about what new practices they have adopted, about what they have learned,

and whether they will be changing the way they operate indefinitely.

These funders range from coast to coast, and they range from some of the largest funders in the country to many small and mid-sized organizations. They include private foundations, community foundations, and corporate funders.

We identify that giving unrestricted funding is a critical change for many funders, while for some it is only an extension of the work they were already doing. We see that for others, unrestricted funding is part of a broad set of strategies to share power, create a more equitable society, and drive systemic change. We also give examples of eight initiatives of unrestricted funding that were launched during the pandemic, as well as the continuum of unrestricted funding practices that funders shared with us.

We hope this report will be an invitation for funders to think differently about how they operate. Nonprofits have always needed unrestricted funding to achieve their goals. Whether it's investment in technology, evaluation, training, providing a living wage, or costs of expansion, effective organizations have always needed flexible money to provide maximum impact. The pandemic has also highlighted to many that resilience requires flexibility, and communities need the ability to experiment and adapt to be effective. Many funders are looking at how to apply these insights to their work, and this report provides numerous examples we hope you will consider and implement within your own organization.



<sup>27</sup>Data source: Google Trends. Analysis by authors, data accessed February 21, 2022.

## Methodology

This report summarizes interviews with 25 funders from across the country conducted in January and February 2022. Funders range in size and include community foundations, family foundations, corporate funders, and other public and private funders.

Recruitment followed several methods that will impact the feedback received. First, we identified funders who had undertaken interesting new initiatives or were engaging in unrestricted funding practices either before or during the pandemic that were recommended to us. For early interviewees, we asked them to recommend other funders to interview. Later in the process, we reached out to funders who would create more balance in our responses based on size, geography, personal characteristics, and those whose funding practices were less clear from their websites.

Interviews followed a semi-structured format, with funders asked to speak about the changes they've made since the pandemic, the benefits of the changes they implemented, and challenges they faced, as well as advice for others and lessons learned. Depending on their answers, there were customized follow-up questions for each interviewee, including about unrestricted giving. For those who did not have any unrestricted giving, broader questions about the changes their organization had made over the course of the pandemic were the focus of the interview.

Interviewees were told their feedback would be anonymous, unless they explicitly gave us permission to identify them.

Their responses were distilled and analyzed for this report. Any attributed quotes in this report were given with the explicit permission of the respondent.

Please see the [Acknowledgements](#) section for a list of the interviewees.







# Unrestricted funding during the pandemic

## The unrestricted funding continuum

*"We're really clear that when we're giving unrestricted money, we're investing in mission. It's not about specific programming. It's not about specific outcomes. We're saying, 'we believe the work you do is furthering the agenda that we have for this community, and we want to help you do that.'"*

— **Laura Manning**  
Executive Director  
Lyle S. Hallman Foundation

*"One of the biggest challenges we have in the sector is the persistent lack of core operational funding for community organizations."*

— **Ikem Opara**  
Director, National Learning  
Partnerships, Rideau Hall  
Foundation

The approximately two dozen funders we interviewed talked about a variety of funding practices, ranging from restricted project-only grants that do not cover any administrative costs to completely unrestricted funding and asset transfers. The funders had different levels of commitment to unrestricted funding, but what was shared was a commitment to making funding less restrictive than current practices.

Below is a table summarizing the types of funding that we discussed with funders, from the most restrictive to the least restrictive. Many funders were moving along this continuum and trying to be less restrictive with their funding. Eight examples from our interviews are highlighted in the following section.

Every funder we interviewed, even those most committed to unrestricted funding, did have at least a small component of project funding. Funders who expressed the need for more unrestricted and flexible funding still indicated there are some limited circumstances where project funding makes the most sense, even if it is a small component of their giving portfolio.

Some example quotes for how interviewees viewed unrestricted giving:

*"I think we'll always provide donations in all those areas: unrestricted, operational, program. It's whatever the charity or the organization needs and wants. The bigger shift is, we're letting them tell us what they need and want, versus us directing 'We want you to do this' and 'We'll give you a donation for this.'"*

— **Kim Nordbye**  
Manager, Suncor Energy Foundation  
and Community Investment  
Suncor Energy Inc.

*"That's why it's also important to continue to fund general operating support now we're hopefully out of the real crisis mode. We can take some of the good things that came out of the pandemic around innovation and move those forward and not fall back."*

— **Amanda Melnick**  
Senior Director, Impact and Stewardship  
United Way Waterloo Region Communities

*"Our current approach has always been ingrained in the way the family gives back to the community, and that is, find strong leaders with great programs driving transformative impact and then give them capital in the way they need it, which is unrestricted."*

— **Narinder Dhami**  
President, Sonor Foundation

*"We practise philanthropy in a way that philanthropy was meant to be: the love of mankind. And in that love, we just applied Indigenous ways of protocols of knowing and being to the process."*

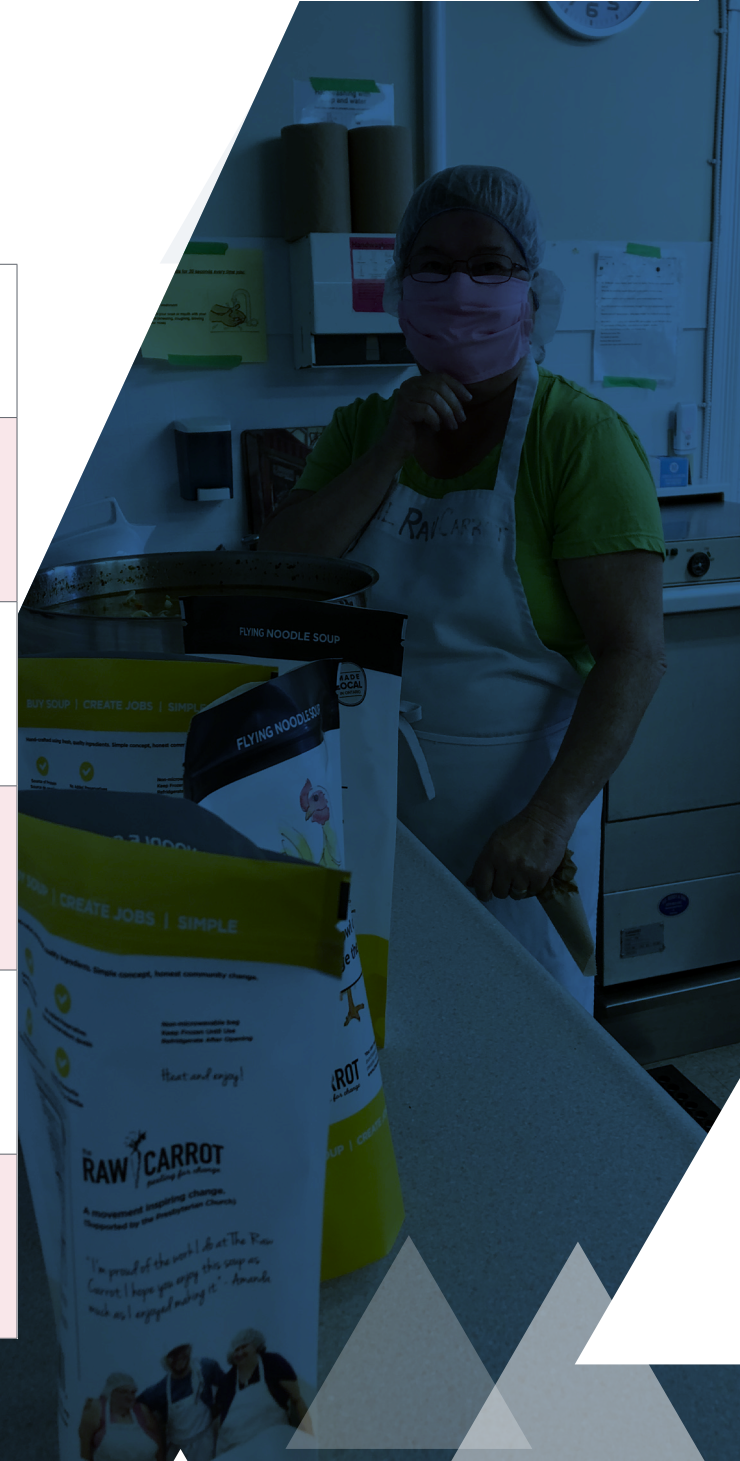
— **Wanda Brascoupé**  
Indigenous Peoples Resilience Fund

**THE UNRESTRICTED FUNDING CONTINUUM:  
MOVING FROM RESTRICTED TO UNRESTRICTED FUNDING**

**RESTRICTED FUNDING**

<b>Project-based funding</b>	Funding is restricted to specific components of a project and may exclude others, while paying none or only a portion of administrative costs.
<b>Full-cost, project-based funding</b>	Funding is tied to specific projects, but fully covers all administrative and other costs incurred by the project.
<b>Flexible project funding with capacity building</b>	Project funding covers full project costs and is tied to specific projects, but the funding for the project is flexible and often includes funding for capacity building.
<b>Unrestricted program funding</b>	Funding is allocated to specific programs, but other than that is unrestricted. This is usually used when a charity works in multiple sectors, and a funder has a sector-specific interest.
<b>Unrestricted organizational funding</b>	This is the most flexible type of funding, where recipients can use the funding as they see fit.
<b>Unrestricted asset transfer</b>	Funders give away parts of their endowment to other funders with greater expertise, representation, and knowledge of the areas they fund.

**UNRESTRICTED FUNDING**



# What's new for unrestricted funding during the pandemic

*"I don't think the pandemic has influenced our work that much. It's not as if during the pandemic something dawned on us, and we said, 'My god, we need to provide operational funding to organizations.' We were already doing that."*

**— Marcel Lauzière**

President and CEO Lawson Foundation

*"I think, in some ways, what we're doing is going back to the roots of philanthropy by expelling some of the concepts that infiltrated our sector, like the idea of philanthropy as procurement, and that you can't trust charities. That's not the way it used to be. Those ideas came in from outside the charitable sector, and I think we're slowly starting to tell them that those ideas are no longer welcome here."*

**— Kevin McCort**

President and CEO Vancouver Foundation

Many funders, wherever they fell on the continuum, and nearly all funders who had a mix of funding, were looking at ways to move along the continuum to be less restrictive. Some took small steps, and some big, but there were numerous examples in the research of funders making changes. Eight examples of new initiatives from our interviews are highlighted in the following pages.

## EXAMPLES OF NEW UNRESTRICTED FUNDING ACTIVITIES

Organization	Unrestricted activities description
Lyle S. Hallman Foundation	<ul style="list-style-type: none"> <li>• Prior to 2018, the foundation had only minimal experience with funding specifically for general operating support.</li> <li>• In 2018, they launched a three-year pilot to provide unrestricted funding to three organizations, with a second cohort added at the end of year two.</li> <li>• They drastically expanded unrestricted giving during the pandemic, partly because they already had learned through the pilot program how valuable the funds are for their partners.</li> <li>• In each of 2020 and 2021, they made a series of single year, no application, completely unrestricted grants to their most closely aligned partners. At the end of 2021 unrestricted funding comprised 74% of the foundation's total granting dollars.</li> </ul>
Inspirit Foundation	<ul style="list-style-type: none"> <li>• They started a small pilot project with four unrestricted grants to Muslim-led and Indigenous-led organizations in 2018. Before that, all funding was project based.</li> <li>• While they have expanded unrestricted granting during the pandemic, one aspect of their approach to unrestricted funding was focused on unrestricted asset transfers.</li> <li>• In 2021, they transferred 5% of assets to Indigenous Peoples Resilience Fund (IPRF) and 3.5% to Foundation for Black Communities, corresponding to representation in the Canadian population.</li> <li>• For the IPRF, this amounted to \$1.9 million: \$1 million via a capital transfer and an annual \$0.3 million grant for three years. For the Foundation for Black Communities, this totaled \$1.35 million, including a \$1 million capital transfer for the endowment and an unrestricted grant of \$350,000</li> </ul>

Organization	Unrestricted activities description	Organization	Unrestricted activities description
<p>Indigenous Peoples Resilience Fund (IPRF)</p>	<ul style="list-style-type: none"> <li>The fund was established in June 2020 as a way to support Indigenous Peoples' communities and organizations quickly and effectively during this time of COVID. By June 2021, they had raised more than \$15 million from many of their partners.</li> <li>The advisory council of the IPRF and all of the reviewers are Indigenous peoples from across Canada. IPRF provides project support ranging from between \$5,000 and \$30,000 to Indigenous-led organizations.</li> <li>All budget items must be project related and include items like wages, data collection, rental, and an Elder honorarium.</li> <li>Though conversations started in late 2019, Victoria Grant of the fund says, "I'm sitting here because of the pandemic. I wouldn't be here otherwise. When we started these conversations in 2019, I didn't see myself as part of it. When the pandemic came, and I understood what the opportunity was, I could not help but be involved. The opportunity to bring together people who know and understand our communities, and to be able to provide support, knowing that in this unsettled and challenging time the already experienced gaps in service experienced in our communities would be exacerbated, was not something I could walk away from."</li> </ul>	<p>United Way of Waterloo Region Communities</p>	<ul style="list-style-type: none"> <li>They did not provide much unrestricted funding prior to the pandemic.</li> <li>They created a new general operating support funding stream in 2021 as a natural evolution of funding changes made during the pandemic. Both streams have a \$50,000 maximum.</li> <li>About half of their funding now runs through the general operating support stream.</li> </ul>
<p>Vancouver Foundation</p>	<ul style="list-style-type: none"> <li>They created a new Indigenous Priorities Granting Program with flexible grants for up to \$50,000 for Indigenous-led organizations in 2021, with funding to support staff, fill funding gaps, capacity development, and other organizational needs. This is an Indigenous-led initiative.</li> <li>Priorities were made for organizations who have never received funding from Vancouver Foundation, as well as those providing support to rural, remote, and/or smaller communities.</li> <li>"We will probably grant somewhere close to \$5 or \$6 million, after an initial planned allocation of \$750,000," says Kevin McCort, President and CEO, Vancouver Foundation. "We had 240 applications asking for \$11 million. We got so many good proposals, we may not do another call until we've funded more of those we've already received."</li> </ul>	<p>First West Foundation</p>	<ul style="list-style-type: none"> <li>The pandemic was their first major experience with unrestricted funding.</li> <li>It now has become their predominant vehicle for funding with three multi-year granting programs.</li> <li>Their efforts are detailed further in the section on trust-based philanthropy, with explanations for how they have modified their practices for the six practices of trust-based philanthropy.</li> </ul>
		<p>Environmental Funders Canada</p>	<ul style="list-style-type: none"> <li>They are operating two pooled funder collaboratives: the Oceans Collaborative and the Low Carbon Funders Group.</li> <li>The Oceans Collaborative began in 2019 and now has eight funders who collectively decide who receives funding. The grants from this fund are generally more catalytic and unrestricted, compared to the grants made individually by the funders.</li> <li>The Low Carbon Funders Group targets federal climate policy and is in its fifth year of operation.</li> </ul>
		<p>Toronto Foundation</p>	<ul style="list-style-type: none"> <li>The Black and Indigenous Futures Fund funding was announced in mid-2021 and was designed to support Black and Indigenous leaders, organizations, and grassroots groups.</li> <li>Community members were brought in to help design the program.</li> <li>A total of 16 qualified donees received a combined \$320,000, and an additional \$80,000 was granted to eight grassroots groups.</li> <li>The Good to Give Guide identified not only the grant recipients, but also other applicants who did not receive funding who the Toronto Foundation believes are good potential grantees for other donors.</li> </ul>



# Four key themes for stronger and more equitable funding

# Four key themes for stronger and more equitable funding

While the focus of this report is unrestricted funding, it is clear from our interviews that unrestricted funding itself is a part of a larger rethinking of the power structures that underpin traditional philanthropy. The funders we talked to recognize the incredible inequality in our society, and they have been challenged by social justice movements to make their grantmaking more inclusive.

The interviewees identified changes across four themes, with three sub-themes for each. These themes include:

- Strengthening organizations
- Equitable and accessible funding
- Sharing power
- Amplifying change

While not every organization identified trends and areas of focus for each theme, most themes came up among a significant portion of interviews. Full quotes and examples are provided in the following sections.



## SUMMARY OF THEMES FROM THE RESEARCH

Theme	<b>FROM</b> restrictive and exclusive practices	<b>TO</b> unrestricted and inclusive practices
<b>Theme #1. Strengthening organizations</b>		
Reducing funding restrictions	Funding has <b>designated purposes</b> , is <b>project-based</b> , and does not cover general operating costs	Funding is <b>flexible</b> and can be <b>used where best needed</b>
Multi-year funding	<b>One-year projects</b> , with no guarantee of renewal	<b>Long-term grants</b> that allow for planning and work on systemic change
Building capacity	Funders support <b>projects or programs</b> , not the core of the organization	Creating <b>resilient organizations</b> is a core goal of any funding relationship
<b>Theme #2. Equitable and accessible funding</b>		
Equity, anti-racism, and justice	The <b>racial composition</b> of the leadership and populations served are not part of funding decisions	Ensuring <b>equitable access to funding for organizations led by and serving Black, Indigenous, and People of Colour, and other equity-seeking groups</b>
Funding nonprofits and grassroots groups	Only funding <b>registered charities</b>	Also funding <b>nonprofits</b> and <b>grassroots groups</b> that are best placed to achieve impact
Applications and reporting	<b>Complex applications and reporting requirements</b> that meet the need of funders, but also create barriers	<b>Simplified applications and reporting requirements</b> that reduce the burden on grantees and make the process more <b>accessible</b>
<b>Theme #3. Sharing Power</b>		
Participatory grantmaking	All decisions are made <b>internally</b> by staff and the board	<b>Decisions are made or influenced by community members</b>
Evolving governance	Board members are made up <b>solely of those closest to the organization</b> , often fundholders, philanthropists, and family members	Board members include <b>people with lived experiences of the problems</b> that are trying to be solved
Empowering assets	Each <b>funder uses its own funds</b> as they see fit, and funds are often dispersed slowly	Assets are invested for purpose, used quickly, and may be <b>transferred to organizations better equipped to use them</b>
<b>Theme #4. Amplifying change</b>		
Funding systemic change	Funders <b>will not fund systems change</b> because the goals are too long term	Funders <b>provide funding for systems change and recognize the importance of this work</b> to achieve greater impact
Encouraging advocacy	Funders <b>will not fund advocacy</b> and do not use their influence to shape public policy	Funders actively encourage <b>grantees to advocate, while also lending their voice and power to advocate</b> for policies that reduce inequalities
Funding collaboratively	<b>Funders work alone</b> and fund projects based on their own interests	Funders work collaboratively and <b>challenge one another to give more unrestricted gifts</b>

## Theme #1. Strengthening organizations

One of the key themes that emerged from our interviews was that funders are looking for opportunities to use their funds to strengthen organizations. This ranged from reducing restrictions on funding and allowing it to be used flexibly and for core infrastructure, to increasing long-term commitments, with a common belief that this allows for longer-term planning and higher chances of creating impact. Funders also told us they were explicitly investing in building capacity in the organizations they fund, even among those that had not pursued any forms of unrestricted funding or multi-year grants.

### A. REDUCING FUNDING RESTRICTIONS

Restrictions on how funding can be used has been a long-standing thorn in the side of charities and nonprofits.

At the outset of the pandemic, as many charities faced the threat of closure, many funders decided to loosen funding restrictions. Interviewees told us this took shape in various ways, including making project-based funding more flexible and allowing projects to change their purpose midstream, to adapt to shifting realities.

For the funders we interviewed, reducing funding restrictions was not a new idea, but

something they had been thinking about and, in many cases, already putting into practice. The pandemic made them more flexible, and this is something they may have eventually done anyway, although at a slower pace. Many funders we spoke to still primarily disburse project-based funds, but they are being more flexible and having honest conversations with grantees about their needs and how the funds can best be used.

*"We're really clear that when we're giving unrestricted money, we're investing in mission. It's not about specific programming. It's not about specific outcomes. We're saying, 'We believe the work that you do is furthering the agenda we have for this community, and we want to help you do that.'"*

— **Laura Manning**  
Executive Director  
Lyle S. Hallman Foundation

*"We've loosened the restrictions on project-based funding. It's restricted funding, because it's designed to support a particular part of an organization, but within that there's very few restrictions on what they do with it. So, we don't get into your overhead rate or what's the proportion of salaries."*

— **Kevin McCort**  
President and CEO  
Vancouver Foundation

*"For us, it is not because of the pandemic that we give some grants for general operational support, but because it's something that we believe the sector needs."*

— **Floriane Lemoine**  
Strategy and Grants Manager  
Chamandy Foundation

### B. MULTI-YEAR FUNDING

All too often, charities receive one-year project grants, which means they are constantly fundraising and trying to secure new sources of funding. The lack of multi-year funding hinders their ability to plan ahead and to provide stability to their staff.

Some of the interviewees said that in the past, there has been a hesitancy to provide multi-year funding because it can create a form of "dependency," and funders haven't wanted to feel obliged to fund the same organizations year after year.

However, there is now greater recognition that multi-year funding is crucial for the long-term viability of organizations, especially for small organizations that do not have the resources for full-time fundraising. A common theme among interviewees was that change takes time, so funding one- or two-year projects was not adequate to really create the level of impact they were looking for.



*"In 2021, we formulated and formalized three multi-year opportunities. One is four years, two are three years. And this is different from what we were doing before."*

**— Susan Byrom**

Executive Director  
Community Investment and First West  
Foundation, First West Credit Union

*game for the groups because now they can plan with three-year horizons. More and more funders are getting comfortable with this way of working."*

**— Devika Shah**

Executive Director,  
Environment Funders Canada

*organizations to innovate, while remaining focused on doing the work that they're best suited for."*

**— Ikem Opara**

Director, National Learning Partnerships,  
Rideau Hall Foundation

*"Right now, [all our funding] is one-year project based. It doesn't cover operational expenses of programs. There is a push on the committee now to look at expanding that to multi-year funding, raising the amounts that we give, and making that able to cover existing programs and their operational expenses, so we're moving in that direction. It's not where we're at right now, but it's certainly the direction we're headed."*

**— Harry Daley**

Director of Community  
Investment and Learning,  
Greater Saint John Community Foundation

### C. BUILDING CAPACITY

Many organizations spoke of the need to build capacity into their funding work. While this was sometimes tied into unrestricted funding, sometimes it was also tied into project funding. Some viewed capacity building as a step along the path to unrestricted funding, while others spoke of the critical importance of specifically investing in capacity building in addition to investing in unrestricted funding, at the same organization.

*"There's a belief within The Sonor Foundation that when you combine capacity with capital, that's where the magic happens."*

**— Narinder Dhani**

President, Sonor Foundation

*"We operate a collaborative that is focused on federal climate policy that's just beginning its fifth year. For the first several years, the coordinator had to come to the funders with a plan and a budget of what they're going to do on policy advocacy only for the year ahead. This year, for the first time, almost all the funders stepped up and said, 'We are going to make three-year grants and at an increased amount.' That totally changes the*

*"So, it is on the horizon for us to explore how we address the issues that this lack of core funding maintains. At this time we're investing in capacity building within the organizations that we're funding and assuming some of the costs of things like measurement and evaluation that typically make it difficult for*

*"We're hearing from grantee partners, and from across the sector, about the vital need to build up their capacity, especially for small organizations; having flexible funding is critically important in the early stages of their development."*

**— Mohamed Huque**

Director, Community Impact, Toronto  
Foundation

*"The model that was the most helpful to us was the Ford Foundation's Build program, which is a massive pilot in unrestricted funding globally, totaling billions of dollars. We didn't duplicate their model, but they gave us some food for thought around how to intentionally build in capacity building for the organizations who were part of the unrestricted funding pilot cohort and the support that they might need."*

**— Laura Manning**

Executive Director  
Lyle S. Hallman Foundation

## Theme #2. Equitable and accessible funding

*"We don't see our communities as having a deficit. We see structures that give you the lens that we're in a deficit. And that's the furthest thing from the truth."*

—**Wanda Brascoupe**  
Indigenous Peoples Resilience Fund

The last two years have brought equity, anti-racism, justice, and inclusion to the forefront of everyone's attention in new ways. The funders we spoke to had many initiatives to directly fund particular initiatives led by and serving Black and Indigenous peoples.

But it was also clear to many the systems of funding themselves lead to inequitable results.

Burdensome applications and reporting made organizations led by many groups less likely to apply and less likely to receive funds. The choice to only fund charities and qualified donees excluded grassroots groups directly in the community and left many Indigenous organizations outside of their funding envelopes.

### A. EQUITY, ANTI-RACISM, JUSTICE, AND INCLUSION

Most of the funders we talked to mentioned that Black Lives Matter and the movement toward reconciliation were greater catalysts for change, rather than the pandemic itself.

The murder of George Floyd in the United

States and the discovery of thousands of unmarked graves of Indigenous children in Canada forced people to once again confront the ongoing realities of systemic racism, and this increased focus on social justice over the past two years was mentioned in many interviews.

The ways in which the pandemic disproportionately affected equity-seeking communities also influenced funders to think more about equity in their funding. The Equitable Grantmakers Continuum by Nonprofit AF and RVC Seattle is one resource for funders looking to think through their practices in a structured way.

*"We had a conference on social innovation in Toronto that we co-organized with many others and we heard that social innovation is often blind to social justice, social equity, that it was not making enough room for grassroots organizations and for overall inclusion. And this started before the pandemic. It was kind of a shock because our big goal of pushing social innovation was to reduce social inequalities."*

—**Nicolina Farella**  
Program Director, J.W. McConnell Family Foundation

*"If there hadn't been the pandemic, where we clearly saw that money wasn't necessarily getting into the hands of those who needed it the most, I'm not sure our increased emphasis on being accessible and making our*

*donation process more equitable would have happened as quickly."*

—**Kim Nordbye**  
Manager, Suncor Energy Foundation and Community Investment, Suncor Energy Inc.

*"In our unrestricted granting, we shifted to make space for the needs of reconciliation in the community. A fair amount of our funding now goes to support unique projects that bring Indigenous and non-Indigenous organizations together."*

—**Carm Michalenko**  
Chief Executive Officer,  
Saskatoon Community Foundation



## B. FUNDING NONPROFITS AND GRASSROOTS GROUPS

Many grassroots organizations have limited access to traditional philanthropy because they are not registered charities. However, funders have increasingly seen these grassroots organizations as the most effective agents of change, and many are now looking at innovative ways to fund these organizations and help build their capacity.

Funders indicated they were pursuing creative ways to fund non-qualified donees, including by pairing them up with qualified donees and by giving them service contracts.

*“The topic of how to inject money into the system more equitably led us squarely to having the conversation about funding more than just registered charities. One of the early things we noticed, and this is not new, is that a lot of the organizations working with Black and Indigenous communities across the country are incorporated nonprofits or grassroots groups, and not registered charities.”*

— **Ikem Opara**

Director, National Learning Partnerships  
Rideau Hall Foundation

*“For the first time, we started to give grants directly to non-qualified donees in the form of service contracts, and that’s an area that was completely new to us. The agreement had to be them stating the area of work they are going to focus on and how it would be allocated. But in my mind, it was an unrestricted grant, but technically it was structured as an actual project to deliver.”*

— **Mohamed Huque**

Director, Community Impact  
Toronto Foundation

*“We have put a lot of focus on how we can ensure that non-qualified donees have access to that money, so that means working really closely with organizations to pair them up with qualified donees. That’s something that we did before, but there’s definitely been a shift toward that for years.”*

— **Harry Daley**

Director of Community Investment and Learning, Greater Saint John Community Foundation

## C. APPLICATIONS AND REPORTING

As part of the broad movement to make receiving funding easier, many interviewees talked about their efforts to simplify their application and reporting structures. Some were accepting reports from other funders, some were accepting oral reports, and some were just reducing the number of questions recipients were expected to answer.

Although these changes were made in the midst of the pandemic, many funders voiced their intention to continue to make things easier for grantees, especially for grassroots organizations that struggle the most with burdensome application and reporting requirements.

### Applications

*“During the pandemic, we created a new two-step application process, and the first step only requires organizations to present*

*a one-pager instead of an application. This was done to reduce the burden to a future partner.”*

— **Nicolina Farella**

Program Director,  
J.W. McConnell Family Foundation

*“We’re looking at our end-to-end donation processes to see if we can improve and simplify, make our processes more accessible and equitable, and ensure that language isn’t a barrier. And we are exploring ways to receive oral requests. Changes to our processes would be permanent – not temporary.”*

— **Kim Nordbye**

Manager, Suncor Energy Foundation and Community Investment,  
Suncor Energy Inc.



*"We went back and reassessed our application. We went from 18 questions down to six. We eliminated information that we could find. One of the approaches of trust-based philanthropy is to do the homework, so we're doing the homework."*

**— Susan Byrom**

Executive Director,  
Community Investment and First West  
Foundation, First West Credit Union

*"Some funding agencies make evaluation very complicated and onerous for organizations, to the point where if you ask staff about evaluation, they say they hate it because it takes so much time. But when you take time to sit down with staff and talk about how evaluation can be useful to them and how they can gain from it, and how they can have a say in what it looks like, then they get excited about it."*

**— Carrie Tanasichuk**

Director of Impact Measurement and  
Evaluation, Greater Saint John  
Community Foundation

### **Reporting and evaluation**

*"We're trying to be flexible and have ongoing conversations. We do ask if they've written reports for others, and we'll accept those as part of the application and reporting processes."*

**— Chris Lee**

Director of Programming, Inspirit Foundation

*"We haven't been asking for official reporting since March 2020. We have plenty of information and we decided to officially switch reporting to oral reporting. So, starting in May [2022], every renewal that we will be doing will be with oral reporting."*

**— Ode Belzile**

Director of Philanthropic Activities,  
Bombardier Foundation



## Theme #3. Sharing power

Loosening funding restrictions, simplifying application and reporting requirements, and providing multi-year funding are all important steps to allow charities to carry out their mission.

However, in order to make the charitable sector more inclusive and effective, the power dynamics at the heart of the sector need to be reconsidered.

Many of the interviewees discussed how they needed to relinquish some of their power to have a greater impact, including via more participatory grantmaking, better governance, and by transferring assets.

*"If you are the people with the money, there is a power imbalance. Nobody likes to talk about that. The barriers to implementing unrestricted funding are about giving up control. That's the real issue. It does not have to do with impacts or outcome. It's a power dynamic."*

— **Laura Manning**  
Executive Director,  
Lyle S. Hallman Foundation

*"The capital transfer was really a commitment to share power. There was a strong feeling that those who hold the capital, hold the power, and there's nothing revolutionary about that."*

— **Sadia Zaman**  
CEO, Inspirit Foundation

*"[Speaking about an unsolicited contribution to the Indigenous Peoples Resilience Fund], Reconciliation is about giving more power to Indigenous-led organizations. This is entrenched in the reconciliation principle."*

— **Nicolina Farella**  
Program Director,  
J.W. McConnell Family Foundation

*"We try to do power-sharing in the sense that we want to bring the relationship to be as equal as possible. But when it comes to our grants decision-making process, we don't have formal power-sharing yet, and that's a challenge."*

— **Ode Belzile**  
Director of Philanthropic Activities,  
Bombardier Foundation

### A. PARTICIPATORY GRANTMAKING

Philanthropy can too often be a top-down enterprise, where rich people get to decide which equity-seeking people are most deserving of money and then dictate how they should spend it.<sup>28</sup>

Participatory grantmaking is a way of ensuring that communities who are targeted by the funding are involved in the decision-making process.

This can take a variety of different forms, and our interviewees talked about having diverse selection committees and community advisory panels.

*"We've always incorporated some elements of participatory grantmaking, usually in the form of selection committees that make the ultimate decisions. But with the Black and Indigenous Futures Fund, we ceded more decision making in the earlier stages and we brought in community partners to help design the program."*

— **Mohamed Huque**  
Director, Community Impact,  
Toronto Foundation

*"All of our advisory councils and our reviewers who are all Indigenous understand the brilliance and ingenuity that exists in the community. We understand it because we are beneficiaries of that brilliance and ingenuity."*

— **Wanda Brascoupé**  
Indigenous Peoples Resilience Fund

*"Traditionally, corporate giving has been about giving what the corporation wants to give, not having the community lead those decisions. While we're still a corporate foundation, we'd like to be more community led."*

— **Kim Nordbye**  
Manager, Suncor Energy Foundation and  
Community Investment, Suncor Energy Inc.

<sup>28</sup> Valley, Paul. "How Philanthropy Benefits the Super-Rich | Philanthropy | The Guardian." The Guardian, September 20, 2020. <https://www.theguardian.com/society/2020/sep/08/how-philanthropy-benefits-the-super-rich>.

## B. EVOLVING GOVERNANCE

According to interviewees, a major barrier to participation can be the board composition. Many funders do not have diverse boards,<sup>29</sup> and they often do not have any representation from the communities they fund. This can especially be true for family foundations. Adding board members from diverse communities, or at least having some form of community involvement, can be a good step for funders looking to make their granting more participatory.

*“Board composition is one of the biggest barriers to actually getting a lot of things done. I don’t think it’s CEOs and VPs who are the blockages to making these changes, but the boards. Our Board has hard skills and a diversity of lived experience. Both of those things can lead to a greater understanding of the communities we serve.”*

— **Sadia Zaman**  
CEO, Inspirit Foundation

*“The decision-making power of my foundation is with the family [who comprise the board]. This is where the power is still.”*

— **Staff person at a family foundation**

*“We’ve been talking internally about having a granting committee and a board that are more representative. And that*

*has been very, very difficult. The fact is that we are a family foundation, and that they hold [about two-thirds of the] seats on the board, and the family is not representative.”*

— **Staff person at a family foundation**

## C. EMPOWERING ASSETS

The largest foundations wield power due to the large endowments they have accumulated over many generations. These endowments are an example of the staggering wealth inequality in Canada, and the assets accumulated have benefited from systemic racism and the oppression of equity-seeking people throughout Canada’s history.

The disbursement quota, which is currently 3.5%, is the minimum amount of assets that registered charities must spend annually either on their own charitable activities or on gifts to qualified donees. This means that foundations must give at least 3.5% of their assets on an annual basis to qualified donees — typically registered charities. Some of the foundation staff we interviewed mentioned how an increase in the disbursement quota would free up significant resources that could be provided to grantees. The federal government has signalled its intention to potentially increase the disbursement quota, and a public consultation process was undertaken in 2021.<sup>30</sup> An increase in the disbursement quota is expected in the 2022 federal

budget. Imagine Canada has released a submission on raising the disbursement quota that is available [here](#).

One of the most powerful ways that funders can demonstrate their commitment to reconciliation and social justice is by giving away significant portions of their endowments. Although none of the funders we spoke to mentioned giving all their money away and closing their foundations, some of them spoke about the need to transfer assets, and some have made concrete steps in this direction.

*“We made capital transfers to help launch two new foundations. And one is the Foundation for Black Communities. The other is the Indigenous Peoples Resilience Fund. There were large grants for both of those organizations on top of the capital transfers, so the grants were completely unrestricted.”*

— **Sadia Zaman**  
CEO, Inspirit Foundation

*“My dream is that there’s an increase to the disbursement quota, so there would be more funding available for us to give away.”*

— **Floriane Lemoine**  
Strategy and Grants Manager,  
Chamandy Foundation

*“Philanthropy should be the most risk-taking capital that exists. Unfortunately, it is not.”*

— **Narinder Dhani**  
President, Sonor Foundation

<sup>29</sup> “The Daily — Diversity of Charity and Non-Profit Boards of Directors: Overview of the Canadian Non-Profit Sector,” February 11, 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/210211/dq210211a-eng.htm>.

<sup>30</sup> “Consultation: Boosting Charitable Spending in Our Communities - Canada.Ca.” Accessed March 21, 2022. <https://www.canada.ca/en/departement-finance/programmes/consultations/2021/boosting-charitable-spending-communities.html>.

## Theme #4. Amplifying change

Funders can simply provide funding to charities and then sit on the sidelines to watch change happen, but if they are willing, they can also help amplify change.

Some of the interviewees talked about the need to fund systems change and to be willing to take a long-term horizon before judging whether funding was successful in achieving its desired outcome.

Other funders talked about the need for more advocacy, and this could either involve funding the advocacy work of charities, or also they themselves becoming more active in advocating for specific policies.

A significant way that funders can amplify change is by working together, and many of the funders we spoke to mentioned the importance of networks such as Philanthropic Foundations Canada and Community Foundations of Canada in driving home the importance of unrestricted funding and trust-based philanthropy more generally. Funders can collaborate to collectively streamline their processes to make things easier for charities, and they can listen and learn from one another about organizations that are doing great work in communities. They can also challenge one another to be more accountable to the communities they serve.

### A. FUNDING SYSTEMIC CHANGE

One of the problems with limited project-based funding is that it doesn't allow organizations to pursue systems change, which is inherently a long-term process. Providing multi-year unrestricted funding, on the other hand, allows organizations to pursue transformative change.

*"Everyone is coming to terms with the fragility of our societal systems and how easily they can come apart. And I think there's just a greater appetite to not sit on the sidelines anymore, but to step up and to try to be a part of the solution by taking bolder positions and in many cases, engaging in advocacy themselves."*

— **Devika Shah**

Executive Director,  
Environment Funders Canada

*"I think we've all seen from the pandemic that we had cracks in our systems before, so the pandemic and the economic downturns are only just amplifying those cracks and showing how broken things are and how inequitable things are. But, we took it a little bit further to ask, 'How is our donation approach contributing to those inequalities?' And so now, we're in the midst of a project to explore some of the end-to-end processes that we have for donations."*

— **Kim Nordbye**

Manager, Suncor Energy Foundation and  
Community Investment, Suncor Energy Inc.

*"System-change programs don't fall neatly into three-year horizons. And I like to talk about the work that the foundation started funding probably 15 years ago, promoting the idea of \$10 daycare. We funded it as a project and then the project funding stopped, but the work of the organization didn't stop. And it looked like a failure for 15 years, until suddenly it's public policy."*

— **Kevin McCort**

President and CEO, Vancouver Foundation

### B. ENCOURAGING ADVOCACY

Advocacy is tied to systems change, and it is another area where charities have traditionally struggled to get supported. Some of the interviewees spoke about an increased comfort with funding advocacy work, recognizing that it is an essential component of driving change at a societal level.

*"What we have added into our funding agreements is the concept of mutual accountability. We have four or five points to indicate that we will be there to support you at any given time, we will help open the doors with other funders, if that's helpful to you. We'll help open doors in terms of advocacy, public policy, if that's what you want to do."*

— **Marcel Lauzière**

President and CEO,  
Lawson Foundation

*“One way we make sure that everyone is comfortable with advocacy is, we work together with a group of funders and we work together to fund a group of organizations. And those organizations are all about stronger environmental regulation.”*

— **Nicolina Farella**  
Program Director,  
J.W. McConnell Family Foundation

### C. FUNDING COLLABORATIVELY

Many of the people we talked to mentioned the importance of funder collaboratives in shifting their thinking about unrestricted funding. Also, a few of them mentioned specific initiatives where they are pooling funds together with other funders, with the goal of achieving greater impact.

*“There is a recognition that the approaches used in the past haven’t worked, and there is a growing appetite among organizations to work together to achieve transformative results.”*

— **Doug Gore**  
Lead, Partnership Development,  
Ontario Trillium Foundation<sup>31</sup>

*“There’s been more and more of a shift to funder collaboratives and participatory grantmaking, where you’re letting people who are experts or people who are closer to the issues have much more of a say in how funds are allocated.”*

— **Devika Shah**  
Executive Director,  
Environment Funders Canada

## Case studies on partnership

In summer 2021, Imagine Canada published a series of nine case studies looking at new and emerging areas of partnership. One of the themes of the case studies was Collective funding, very similar to the trend identified in the current report. Another was Funding advocacy. These case studies may also be of interest to anyone wanting to explore these themes further.



Excerpt from Imagine Canada’s *Partnering for Impact: From crisis to opportunity*. Case studies of corporate-nonprofit partnerships during COVID-19. Available for free download [here](#).

<sup>31</sup> Ayer, Steven. “Partnering for Impact: From Crisis to Opportunity | Imagine Canada,” 2021. <https://www.imaginecanada.ca/en/partnering-for-impact-case-studies-corporate-nonprofit-partnerships-during-covid-19>.





# The rise of trust-based philanthropy

## Trust as a key element of funding

Over the past few years, the charitable sector has become increasingly abuzz with discussion of trust-based philanthropy, and this has become even more common during the pandemic.

Beyond the pandemic itself, the ongoing reckoning around systemic racism has led to an increased interest in trust-based philanthropy, as has a pushback against so-called strategic philanthropy which critics believe has placed too far a distance between funders and grantees.

As one critique of strategic philanthropy noted:

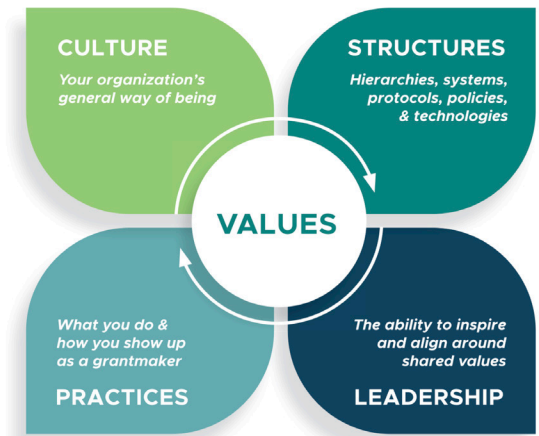
*“Over the past 20 years, the philanthropic sector has moved to a more business-like, data-driven approach, which has come to be called strategic philanthropy. The key elements of this approach—goal setting, strategy development, and measurement—have strengthened the field in some ways. An unintended consequence, however, has been to increase the distance between grant-seekers and grantmakers, creating a chasm between philanthropy and the communities philanthropy purports to serve, with the outcome that, more often than not, philanthropy reinforces structural racism.”*

— Opinion piece published in a 2021 edition of *Nonprofit Quarterly*.<sup>32</sup>

Trust-based philanthropy operates from the acknowledgement that there is an inherent power imbalance between funders and grantees. Trust-based philanthropy seeks to redistribute power to community members who are best placed to drive change. Instead of coming in with their own priorities and ideas, funders who adopt a trust-based approach are humble and ready to listen to learn. These funders recognize that change takes time and cannot be achieved overnight, but rather than hoard resources, they put the funds into the hands of those who need them the most. These funders also show a willingness to try new things, while understanding that not everything will work.

According to the U.S.-based Trust-Based Philanthropy Project:

“The Trust-Based Philanthropy Project is a five-year, peer-to-peer funder initiative started in 2019 to address the inherent power imbalances between foundations and nonprofits. At its core, trust-based philanthropy is rooted in a [set of values](#) that help advance equity, shift power, and build mutually accountable relationships. No matter where a foundation starts its trust-based journey, to fully embody this approach grantmakers rely on trust-based values to guide [four key dimensions](#) of their organization’s work: [culture](#), [structures](#), [leadership](#), and [practices](#).”<sup>33</sup>



Trust-based philanthropy is most well-known for its six practices, one of which includes giving multi-year unrestricted funding.

Trust came up in a majority of our conversations. Ten of the interviews directly mentioned trust-based philanthropy. Six more used the word “trust” when describing relationships with funded organizations, without mentioning the broader framework of trust-based philanthropy. For a full list of the six practices of trust-based philanthropy, please see the table in the following pages that outlines how two funders are implementing the practices in their organizations.

For some, trust-based philanthropy has become a critical part of their work and continues to guide decisions. For others, “trust-based philanthropy” was a term they were already using, but they felt it

<sup>32</sup> Bennett, Jackie, Cayla Damick, Kyle Layne, Ben Murphy, Daniel Salas, Kirsten Swanson, and Ali Webb. “Strategic Philanthropy Gets a Wake-Up Call - Non Profit News | Nonprofit Quarterly.” Nonprofit Quarterly, February 2021. <https://nonprofitquarterly.org/strategic-philanthropy-gets-a-wake-up-call/>

<sup>33</sup> Trust-Based Philanthropy. (n.d.). Retrieved March 21, 2022, from <https://www.trustbasedphilanthropy.org/>

was merely a new phrase for practices they had embraced long ago.

*“During the pandemic, I was introduced to trust-based philanthropy through social networks and peer groups. Later, I introduced it to our board. Now we are moving forward with the integration of a trust-based philanthropy approach into our grantmaking. We’re not the experts on the ground, so let’s trust the experts on the ground.”*

— **Susan Byrom**

Executive Director, Community Investment and First West Foundation, First West Credit Union

*“There is a conversation about the shift to trust-based philanthropy and this is a conversation that is happening with funders locally and nationally. It’s about having that trusted organization use funds where they are needed most, as opposed to being very restrictive.”*

— **Amanda Melnick**

Senior Director, Impact and Stewardship, United Way Waterloo Region Communities

Inès Chaâlala, Director, Learning and Partnerships at Philanthropic Foundations Canada, told us that “The conversation about trust-based philanthropy started before the pandemic. The pandemic helped centre trust-based philanthropy in many conversations around practices in Canadian

philanthropy. One of the ways Canadian philanthropy stepped up during the pandemic is through the provision of unrestricted funding. There is a deeper understanding of the links between unrestricted funding and trust-based philanthropy. The question now is whether this practice will stick in the longer term. I think it’s a bit too early to say that it will, but there are definitely hopeful signs that this practice might become part of the ‘new normal’ for many foundations.”

Kevin McCort, President and CEO of Vancouver Foundation, likewise noted how their foundation is using some of the tools of trust-based philanthropy, but it’s “not a new idea that you send money to a charity because you love what they’re doing and you trust them to do with the money as their staff and governance structures feel is most appropriate.”

It is worth noting that some of the funders who talked about using a trust-based approach were not following the first principle of trust-based philanthropy, which is giving multi-year unrestricted funding.

One funder told us they were having “more of a trust-based approach, giving the organizations the space to adapt to whatever comes their way,” while still exclusively offering single-year, project-based funding.

Some had adopted the language of trust-based philanthropy, but felt it was an extension of how they already approached

their work. Marcel Lauzière, President and CEO of Lawson Foundation, said while their foundation had followed many of the principles for trust-based philanthropy before the pandemic, it had still influenced his foundation’s work. “We’ve started to include the concept of mutual accountability in our funding agreements. There’s a second part to any of our funding agreements, where we acknowledge that we are also accountable to you. And we have four or five points that indicate the ways we will be there to support them at any given time. And this came from the concept of trust-based philanthropy.”



## Trust is a two-way street and funders have work to do

As many nonprofits enthusiastically embrace the approach, some are still very skeptical of how much foundations are really interested in change.

*"I bet these same foundations were 10 years ago talking about the need to 'show impact' and to have all donations tied to specific outcomes." — Participant*

Ikem Opara, Director, National Learning Partnerships at the Rideau Hall Foundation, agreed with that concern, saying that some criticism is fair to the "swinging pendulum approach we sometimes take when it comes to investing in communities. We respond better to flashpoints of need and not as well to the steady growth that results in long term change." He also told us "what is sometimes missed is that trust has to go the other way as well. Community organizations need to trust that funders are going to stick around when things get complicated and difficult."

Laura Manning, Executive Director of the Lyle S. Hallman Foundation, echoed the hard work funders will need to invest in to really build this trust:

*"That is where the trust part of trust-based philanthropy comes in. That is not only us trusting them, it is them trusting us, and being honest about the challenges they're facing and the things that they want to achieve, what it takes to achieve those things. And trusting that we will not penalize them for sharing that information."*

## Can we trust that the change to trusting relationships is real?

The way the interviewees spoke about trust-based philanthropy is certainly encouraging and will be welcomed by charities across the country. However, charities will also likely remain skeptical that the funders are committed to a long-term paradigm shift, as the sector has previously committed to significant change that sometimes has seemed temporary or more talk than action.



A joint op-ed from the U.S.-based Trust-Based Philanthropy Project and the "Open and Trusting" initiative by the U.K.-based Institute for Voluntary Action Research (IVAR) sums up this dilemma nicely:

*"The philanthropic sector is no different from other sectors facing pressure for institutional change: rhetoric moves quickly to mirror new trends while actual change may lag or never take hold. Whether it's innovation, collaboration, learning, performance, systems change, or any number of other terms that have spread through the sector, philanthropy has a tendency to grab onto new language to re-frame the work without spending the time to fully consider and implement what the concept means for how they function before moving on to the next emerging concept. This co-optation has left nonprofits to be rightfully cynical about new language and public commitments from philanthropy.*

*Paradoxically, the spread of common language can make it more difficult to make real change in the field, as the language covers up the reality of practice. This is particularly true where philanthropic behavior, process, and decision making are not transparent to the outside world. Funders, nonprofits, and philanthropic support institutions need to keep challenging one another to unpack and make explicit the values and assumptions that underly their language and work on equitable, open, and trusting relationships."<sup>34</sup>*

<sup>34</sup> A Power Reckoning on Trust in Philanthropy, From Both Sides of the Pond: Part 1 - IVAR. (n.d.). Retrieved March 30, 2022, from <https://www.ivar.org.uk/blog/power-reckoning-part-1/>

## EXAMPLES FROM THE SIX PRACTICES OF TRUST-BASED PHILANTHROPY

Funder	1. Give multi-year, unrestricted funding	2. Do the homework	3. Simplify and streamline paperwork	4. Be transparent and responsive	5. Solicit and act on feedback	6. Offer support beyond the cheque
 <p><b>FONDATION</b> J. ARMAND BOMBARDIER</p>	<p>Core mission funding has been its primary focus since 2010, with some core mission funding since 1965</p> <p>Favours multi-year commitments with most grants</p>	<p>Ongoing engagement with nonprofit networks and dialogue with grantees</p> <p>Shared learning with their capacity-building program Philagora</p>	<p>Minimal document submission</p> <p>Submission form filled by the foundation team</p> <p>Transition to oral reporting in 2021</p>	<p>Acknowledge the power imbalance and be honest and responsive with grantees</p>	<p>Annual anonymous survey to grantees</p> <p>Evolving programming/processes based on feedback</p>	<p>Philagora capacity-building program</p> <p>Staff supports nonprofits through feedback, references, and connections</p>
 <p><b>FIRST WEST</b> FOUNDATION</p> <p>25 years of helping our communities thrive</p>	<p>Moved from predominantly single-year to multi-year funding streams in 2021</p>	<p>Eliminated information from applications that they could find themselves</p> <p>Extensive learning around trust-based philanthropy to revise other practices</p>	<p>In 2021, simplified application process from 18 to 6 questions and introduced verbal applications</p> <p>Asking funded organizations to share other reports they are preparing</p>	<p>Adding new information session for interested grantees</p> <p>Answered questions about new application process as quickly as possible</p>	<p>Conducted first survey of grantees in summer 2020 and used feedback to adapt funding</p> <p>Asking for feedback on application, including time spent on application</p>	<p>Always offered employee volunteer contributions to partners, but being more proactive at ensuring volunteers are needed</p>

**Note:** These materials were adapted from conversations and materials supplied by the organizations. In most cases, it reflects a subset of the work these organizations are doing in each of the areas.



# Resources on unrestricted funding and trust-based philanthropy

## FROM CANADA

### "A COVID-19 Statement from CFC, PFC, EFC, and The Circle on supporting grantees"

Five guiding principles for supporting grantees:

1. Be flexible, pragmatic and proactive in grant-making
2. Collaborate on or contribute to emergency funds at the community and national levels as they emerge
3. Stretch and deploy expertise and funds to protect the capacity and resilience of nonprofit and charitable organizations
4. Support advocacy
5. Take the long view and stay engaged

<https://communityfoundations.ca/a-covid-19-statement-from-cfc-pfc-efc-and-the-circle-on-supporting-grantees/>

### BetaPhil by the Vancouver Foundation

Focusing on co-designing grantmaking practices to shift the power imbalances that keep systems stuck and people marginalized.

[www.betaphil.org/](http://www.betaphil.org/)

### Anti-Racist Social Impact Collection by Future of Good

The year 2020 changed the mainstream conversation on systemic racism. While BIPOC activists and professionals have been working to decolonize and make anti-racist social impact work for many, many years, some organizations finally began to listen. This collection catches you up on our coverage of anti-racist work making the social impact sector better.

<https://futureofgood.co/article-collection/anti-racist-social-impact/>

## FROM ABROAD

### Equitable Grantmaking Continuum by Nonprofit AF and RVC Seattle

The [Equitable Grantmakers Continuum](#) covers 18 practices that funders should consider and provides a self-scoring mechanism for funders to see where they fall.

### Trust-Based Philanthropy Self-Reflection Tool by the Trust-Based Philanthropy Project

[www.trustbasedphilanthropy.org/resources-articles/self-reflection](http://www.trustbasedphilanthropy.org/resources-articles/self-reflection)

### In Their Own Words: Foundation Stories and Perspectives on Time-Limited Philanthropy by Rockefeller Philanthropy Advisors

[www.rockpa.org/wp-content/uploads/2021/02/StrategicTimeHorizonsCaseStudy.pdf](http://www.rockpa.org/wp-content/uploads/2021/02/StrategicTimeHorizonsCaseStudy.pdf)

### Resources by the Trust-Based Philanthropy Project

[www.trustbasedphilanthropy.org/resources](http://www.trustbasedphilanthropy.org/resources)

### Your Reading List: Trust-Based Philanthropy by Geneva Global

[www.genevaglobal.com/blog/your-reading-list-trust-based-philanthropy](http://www.genevaglobal.com/blog/your-reading-list-trust-based-philanthropy)

### The Eight Commitments: The "Open and Trusting" Initiative by the Institute for Voluntary Action Research (IVAR)

[www.ivar.org.uk/flexible-funders/](http://www.ivar.org.uk/flexible-funders/)

1. Don't waste time
2. Ask relevant questions
3. Accept risk
4. Act with urgency
5. Be open
6. Enable flexibility
7. Communicate with purpose
8. Be proportionate

### A Power Reckoning on Trust in Philanthropy, From Both Sides of the Pond:

[Part 1](#) and [Part 2](#).

## Conclusion

The past two years have caused people to rethink the whole gamut of practices in the charitable sector and across society more broadly. In rapid succession, policies and practices that had resisted change for decades were suddenly on the table, and the ways in which funders quickly increased unrestricted funding while reducing administrative burdens on charities was one of the most striking examples.

It is still early to tell whether the shift toward unrestricted funding will be maintained in the future. Many of the funders we interviewed signalled their intention to do so, but as our interviewees noted, funders are sometimes prone to oscillate between new approaches, and this itself is a barrier to building trust between funders and fundees.

Many Canadian funders may now be fluent in the language of trust-based philanthropy, but there are many other conversations they should be having now — and having more publicly.

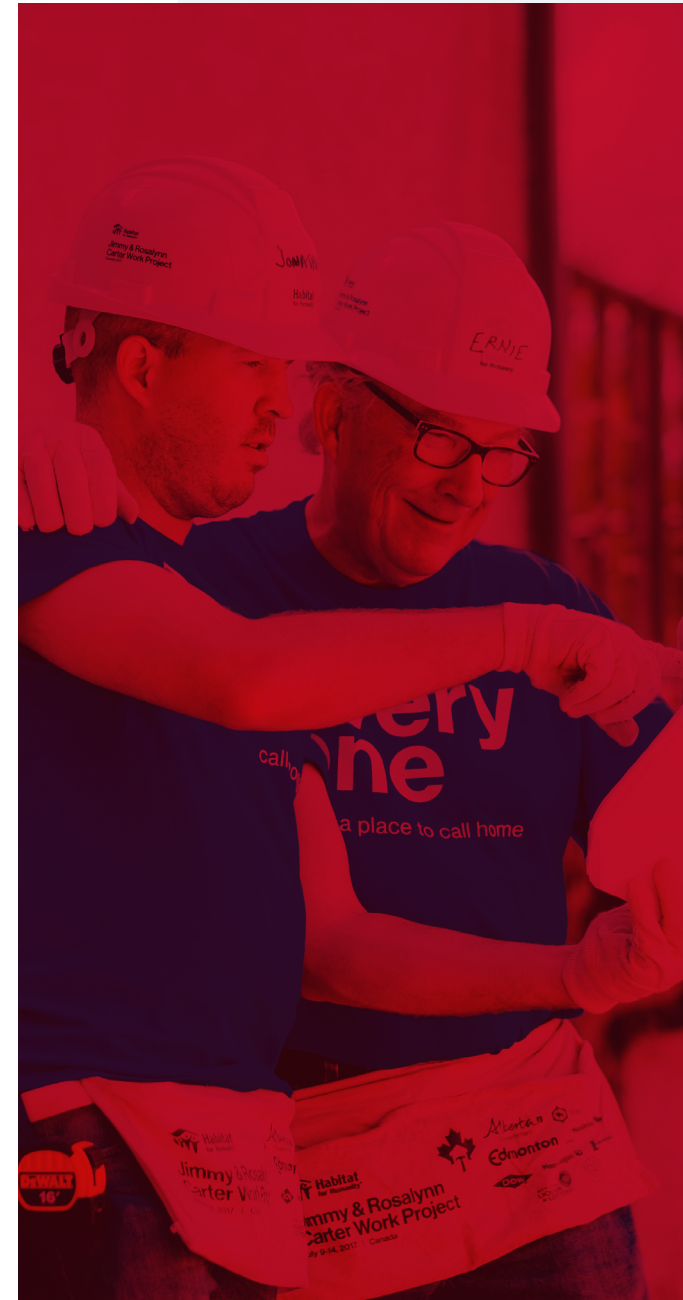
Why should foundations last forever? If foundations truly recognize the massive needs in the communities they serve, and if they trust that the members of those communities are best placed to creatively address these problems, then why are they continuing to hold on to so much money when it could be well used in the communities right now? The answers to these questions might be uncomfortable,

but they are interconnected with the principles of trust-based philanthropy, so we should be talking about them.

The new-found attention of Canadian philanthropy to Indigenous peoples and Black Canadians is positive, but it is also disheartening that it took the repeated killing of Black people by the police and the discovery of mass graves of Indigenous children for these communities to truly become a priority.

Ultimately, unrestricted funding is important for nonprofits and charities to rebuild their financial capacity, continue to invest in critical infrastructure that will allow them to be more effective, and to effectively plan for the future. It is also important to embed equity and accessibility into every step of the funding process, to think about how existing power dynamics influence many facets of who receives funding, and to consider how funding can help build a more equitable society.

The last few decades have been a story of decreasing unrestricted funding and reduced overhead. Out of the pandemic, the funding community has an opportunity to tell a new story. One grounded in trust, one grounded in enabling organizations to build the capacity they need to solve the ever-growing challenges facing society.



## IMAGINE CANADA'S POLICY PRIORITIES FOR CREATING A BETTER FUNDING ENVIRONMENT FOR CHARITIES AND NONPROFITS

### *Policy priority: A better funding relationship with government*

*Government partners with community organizations to deliver crucial programs, but the way it funds these initiatives is burdensome, inefficient, and fails to cover the full cost of service delivery.*

Nonprofits and charities are experts in their fields and well connected to their communities. They're often entrusted by the federal government to deliver on government priorities and deliver crucial programs and services. However, the funding system that compensates organizations for this work is so challenging to navigate that some have decided that pursuing government funding is not worth the burden. The current situation undermines organizational sustainability for many nonprofits and is ultimately detrimental to the government's ability to achieve social and economic outcomes.

Imagine Canada's ask:

- That the federal government ensure departments and agencies cover the full administrative costs associated with delivering the services being funded in transfers to charitable and nonprofit organizations;

- That the federal government ensure grant and contribution agreements cover a minimum of two years, renewable as appropriate; and that the level of information required for both application and reporting on these agreements be commensurate with the level of funding, minimizing complexity for smaller amounts; and
- The creation of a better integration of program-management practices and standardizing service delivery across government departments.

Read more [here](#).

### *Policy priority: It should be easier for charities to partner with non-charities*

*Rules aimed at protecting public and charitable funds make it difficult for charities to partner with non-charities, resulting in equity-seeking communities having less access to these funds.*

Current legislation prevents charities from providing funds to non-charities, unless they enter into an agreement whereby they exercise "direction and control" over the activities of their non-charity partner. This requirement significantly hinders equitable partnerships between charities and non-charities. Partnerships are key to ensuring that charities are able to respond to complex and ever-changing issues and to ensuring that communities served by charities are placed on equal footing and are able to co-create solutions.

Imagine Canada's ask:

- That Bill S-216, The Effective and Accountable Charities Act, be passed into law. Introduced by Senator Ratna Omidvar in November 2021, the bill would amend the Income Tax Act to enable charities to establish equal partnerships with non-charities, while still ensuring accountability and transparency.

Read more [here](#).





***Policy priority: A scaled disbursement quota to increase funds available to communities***

The disbursement quota is the amount that registered charities are required to spend each year either on their own charitable activities or on gifts to qualified donees (e.g. other charities).

While all charities are subject to the disbursement quota (DQ), those that directly operate programs and services usually spend far more than the current minimum of 3.5%. Foundations and charities with large endowment funds often invest their capital in markets and offer grants from the resulting income. The disbursement quota must balance the interests of responding to today's needs with the need to ensure funding sustainability for long-term challenges and the needs of future generations. This question is especially salient in times of crisis, such as the COVID-19 pandemic.

Imagine Canada's ask:

- That the government implement a scaled disbursement quota designed to infuse new funds and reflect the different realities of the foundation community. Assign a graduated range of percentages to foundations based on their inclusion in categories as determined by asset size and designation. For example, the minimum threshold of 3.5% could be maintained for smaller organizations (those under \$1 million in assets) and range upwards in the area of 7% and beyond for larger organizations.

Our five other related recommendations are available [here](#).

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