PHILANTHROPIC TRENDS QUARTERLY 2016: Issue 1

trends[4]

The definitive [4] times per year source of philanthropic trends analysis in Canada

Fundraising & the Economy

We are going through complicated economic times.

While many are affected by the disruptive effects of the recent economic downturn, others feel reassured by the resilience of our Canadian economy. Some parts of the country are suffering from a real decline and are facing the trough of the wave. Other regions seem to sail in calmer waters and might even think that they will benefit from a new momentum in a not so distant future. And although experts are saying that we are not in a technical recession and are seeing brighter skies on the horizon, they are also suggesting that economic growth will no longer reach, in the long term, the same cruising speed it once had throughout the last decade.

In this swirl of information that can sometimes seem contradictory, people may feel confused and waver between doubt and optimism. As with all sectors of our society, disruptions of an uncertain economy are also affecting the philanthropic sector, generating a wide range of reactions. And while nonprofit organizations are feeling the pressure of achieving fundraising goals, they are also looking to understand how to operate to remain efficient in these challenging times.

At the turn of 2016, we had a number of conversations with fundraising professionals, donors and economic experts from different parts of the country about how the economy is impacting fundraising and philanthropy in Canada. The fact is that philanthropy is part of the economy, and is therefore impacted by the ups and downs of the markets, as like any other sector.

What does this mean for fundraisers? As professionals in the philanthropic sector, what can we do about it? How can organizations remain efficient and sustainable in these challenging times? Our conversations with experts suggest that, while being realistic about the economic landscape, there is no need to panic. I also strongly believe that by remaining calm and focused during stormy times, and by adopting the right strategies, we can keep the boat afloat.

In the midst of the economic disruptions and innovations in our evolving world that are challenging our sector, we need to be aware and stay alert. We need to find our balance. Organizations need to stay focused on what matters the most to them, being their mission, messaging and donor relations. It is more important than ever to keep listening to donors, fostering relations and being present in the community. By sending a confident message and by adopting intentional empathy towards donors, organizations can even find the right momentum to later motivate them to increase their gifts.

These times are a perfect opportunity to become more strategic, question the efficiency of our operations and activities, focus on impact, and continue building on cultivation and stewardship of the donor base. I am deeply convinced that by remaining calm, focused and strategic, we can grow the resilience of our organizations and in the sector overall.

Marnie Spears,
President and CEO

KCI

FORWARD THINKING

For many parts of the country, these have been tough times. With the meltdown in oil prices, depreciation of the Canadian dollar, OPEC vicissitudes and the fluctuations of the stock markets across the globe, our economy has been profoundly disrupted and a climate of uncertainty has spread from coast to coast.

The good news, however, is that economic analysts are quite optimistic about the future. Many experts are noting that we are not in recession, something that was confirmed by a Statistics Canada report released in early April that showed the economy grew by 0.6% in January, the fourth consecutive month of economic expansion for the country. They are further predicting that markets will continue to see signs of improvement and will rise further by the end of 2016 and throughout 2017.

“Though oil prices are not expected to recover quickly, the overall situation in other regions will have the effect of rebalancing the economy of the country. The current general sentiment is too negative and does not reflect the actual state of resilience of our Canadian economy. Better times are coming this year and next”, says Andrew Grantham, Senior Economist at the CIBC.

While there is firm belief that better days are around the corner, there is no denying that, like all sectors of our society, the disruptions of an uncertain economy are affecting the charitable sector. Charities and non-profits are very similar to small and medium businesses and follow the vagaries of the market in a similar way.

Tempering expectations

Just as sales and profits expand and retract in the business sector, so do donations in the charitable sector.

When Canadians feel anxious they spend less and are more cautious with their investments and that caution extends to their charitable giving.

Even if they still have giving capacity, individual donors might donate less to charity as they are being careful with their assets. Or they might direct their donations differently, choosing to give to causes that address pressing needs in the community. And corporate donors might refrain from engaging in long-term commitments, reduce their sponsorship budgets or even ask not to be publically recognized as an event sponsor while going through a difficult phase of employee lay-offs.

Many economists are also cautioning that growth rates are not expected to reach the heady levels that were enjoyed in the early 2000s. Imagine Canada’s Chief Economist Brian Emmett warns that the effect of slower economic growth, expected to drop from an average of 2.2% to 1.2%, may create the impression of a long-term slowdown: “Although our economy is resilient and will recover, lower economic growth is expected to be a long-term reality", says Emmett.

Emmett also believes that as a result of the recent economic disruption and slower predicted economic performance over the long term, the pressure on the charitable sector will become increasingly intense for several reasons. "When the economy is poor, demand for basic charitable services goes up, for instance in regards to poverty and homelessness", says Emmett. This can create a certain form of competitive landscape, as giving shifts towards more vital causes like food banks and shelters."

> *Challenging times present an opportunity to grow resilience, developing the organization's capacity to tolerate uncertainty and survive through uncertain times.*

Growing resilience

Challenging times present an opportunity to grow resilience, developing the organization's capacity to tolerate uncertainty and survive through uncertain times. It is important to stay focused, remain confident and keep concentrating on areas of strength while doing an honest evaluation of strategies and activities to ensure the sustainable future of the organization. One key to ensuring ongoing future sustainability and relevance is to continue to be visible with a key focus on demonstrating the organization's mission and impact. Charities that are the most visible in the community during difficult times, and fundraisers who keep fostering relationships with their donor base while sending out a confident message in regards to their mission, are best positioned for remaining top of mind.

Andrew Chunilall, Chief Operation Officer at Community Foundations of Canada, suggests that "charities must be sure to devote a significant amount of time visibly delivering on their purpose in the community. There can be a culture in organizations where the focus on fundraising comes at the expense of showing the community the work that they do and the difference that they make. The best organizations find the right balance between

Regional impact

The consensus among the majority of economists is that this downturn will last 18 to 24 months at most and in the second half of 2016, the Canadian economy should start to improve and stabilise with an accompanying increase in personal wealth. Knowing that our Canadian economy is resilient, it appears that there are better times ahead.

This latest disruption in the economy is playing itself out very differently in various parts of the country.

With the plunging of oil prices affecting the energy sector, Canadian provinces that produce oil are severely impacted by the economic downturn, resulting in reduced profits, lower income and tens of thousands of job losses. Alberta, Saskatchewan and Newfoundland and Labrador are hit hard, and anxiety is being felt more deeply among the population in these provinces.

Meanwhile, British Columbia and Manitoba are doing well and do not seem to be affected as much as other regions by the economic downturn. And there are predictions that the manufacture-based provinces of Ontario and Quebec will even see a positive impact on their local economy as a result of the decrease in oil prices and the value of the Canadian dollar.

As philanthropy is taking a blow particularly in some of the West and the Atlantic Provinces, fundraisers shared some insight about the how these harsh times are manifesting in those regions:

- Some individual donors are decreasing the anticipated size of their major gifts or holding off on their contributions as they are not sure how long the situation will last;
- Necessary needs linked to poverty and homelessness are being more supported and donations to food banks have significantly increased;
- Corporations are more reluctant to engage in multi-year commitments;
- Some sponsors, still supporting an event have asked not to be publicly recognized while undergoing a period of employee layoffs.
- Some large events and activities with a lower return are being canceled;
- Numbers are down in lotteries for the first time in 20 years.

With these trends in mind, charities have to be patient with their donors, while continuing to cultivate and steward throughout this period.

the two, knowing that demonstrably delivering on mission is in fact an important factor in attracting donors."

The Winnipeg Community Foundation is helping organizations to better position themselves in a fun and creative way with a model borrowed from the start-up community that came out of social venture partners in the U.S., called the Fast Pitch Program. "We are training charities to deliver a pitch about their organization in less than three minutes. 25 organizations applied, and 10 finalists ended up doing a presentation. The winner organization receives a $20,000 grant for the Winnipeg area", explains Richard Frost, CEO of the Winnipeg Community Foundation. As being visible is vital, this is an interesting example of engaging charities in promoting themselves in a more innovative way.

Planning for the future

Smart organizations also use challenging times as an opportunity to make decisions and plant seeds that will improve their organizational resilience.

> *"Smart organizations also use challenging times as an opportunity to make decisions and plant seeds that will improve their organizational resilience."*

In the context of a tougher economic landscape in the future, Brian Emmett asserts that charities will also be facing new challenges as a consequence of our changing demography, something that will have impact on service delivery as well as financial sustainability. "Over a 20-year horizon, charities will be driven more by demography than the economy. With the aging factor, the increase in health care needs, diversity and immigration, there will be a growing gap between the capacity to deliver what society wants and the capacity to raise funds."

To be ready for that future, leaders need to ask themselves if what they are doing today is going to advance their objectives, both in terms of mission delivery and fundraising. By doing a solid assessment of key priorities, instead of being scattered, they can identify where their biggest return on investment is in the long term and focus on the programs that have the most impact and are reaching the most significant amount of people. Tough decisions might need to be made. Certain activities requiring a big commitment and resources but generating little return might need to be rethought or simply canceled.

When it comes to the fundraising portfolio, Gary Durbeniuk, Vice President of Development at the Calgary Zoo, explains that he and his team created a concept called the "goodbye list" as an exit strategy for their programs, activities and events, allowing them to have a hard look to see if the outcomes are worth the effort. By eliminating 50% of their activities, the team felt a sense of relief and is now able to be more focused on the activities driving more impact.

Foundations and other organizations that rely on endowment income to support their revenue may find that dips in the economy can have a significant impact on their portfolio, as investments fuel their operating budget. At the Toronto General and Western Hospital Foundation, Tennys Hanson, President and CEO, says that "fortunately, a few years ago, the Finance Committee recommended the creation of a stability fund. It became part of our strategic plan to set aside one year of operating costs that we could use to draw down when necessary."

Taking the long term view

Fundraising professionals and Board members must be well informed regarding their donors and how they are feeling, practicing "intentional empathy" in their relationships with them. It is critical to listen with an intent to really understand where

Evolving landscape in philanthropy

While tough economic times are certainly not new, this round of uncertainty is a bit different as it's happening concurrent with a broader shakeup of "how the world works". Overlaid on the recent economic woes, the philanthropic sector is also being disrupted by the emergence of technology and the rise of new fundraising models, which is further amplifying the uncertainty being felt by many.

Leaders must be conscious of the danger of pivoting their organizations too much in the direction of the "new and shiny", a possible tendency during times of disruption and slow growth. They must be careful that there isn't a focus on what is new to the point of distraction, but rather find a healthy tension between maintaining emphasis on core programs while having an appropriate degree of focus on innovation.

We explored this topic in detail in our ***Summer 2015*** issue which can be accessed here: **2015: Edition 2.**

they are coming from and how they are feeling, never forgetting that organizational success and sustainability requires a long term view in terms of our relationships with our donors. In this context, it is utterly important for fundraisers to listen carefully to their donors and to understand the pressure they are experiencing as a consequence of a job loss, reduced income, reduced profits, or simply because they are feeling anxious about the economy and are being cautious with their money, assets and investments.

For charitable organizations to be more strategic with a long term mindset, Ruth MacKenzie, Executive Director of the Canadian Association of Gift Planners, sums it up by saying that "charities need to continue to change their relationships with donors from transactional to transformational."

She also points to planned giving as a critical component to any fundraising program, noting that revenue from realized planned gifts is probably the most "recession proof" form of revenue for charities. "Charities must devote the time to build relationships with financial advisors to increase stewarding and develop planned giving." Penny Blackwood, Executive Director, Alumni Affairs and Development at the Memorial University of Newfoundland and Labrador also believes that "strong planned giving programs are key for the longer term. As resources get scarcer, we need to prove our value. It is not time to contract our budget, but to focus on the right programs."

If the last several years have taught us nothing else, they have shown us that we now live in an era where doubt and uncertainty are standard. And so, with the expectation that uncertainty and disequilibrium are the norm for the foreseeable future, organizations must learn to live with it and grow the resilience of both the organization as a whole as well as their fundraising programs.

As such, it is a time to stay focused on "core business", such as delivering on mission, being visible in the community and among stakeholders, demonstrating impact, and continuing to cultivate and steward donors with a focus on the long term. It is also an important opportunity to question the efficiency of operations and activities and find the right balance between maintaining a focus on core fundraising programs while looking at ways to innovate. »

Marnie A. Spears
President and CEO

Nicole Nakoneshny
Vice President and Editor,
Philanthropic Trends Quarterly

Valérie Dubreuil
Senior Consultant,
Philanthropic Trends Quarterly

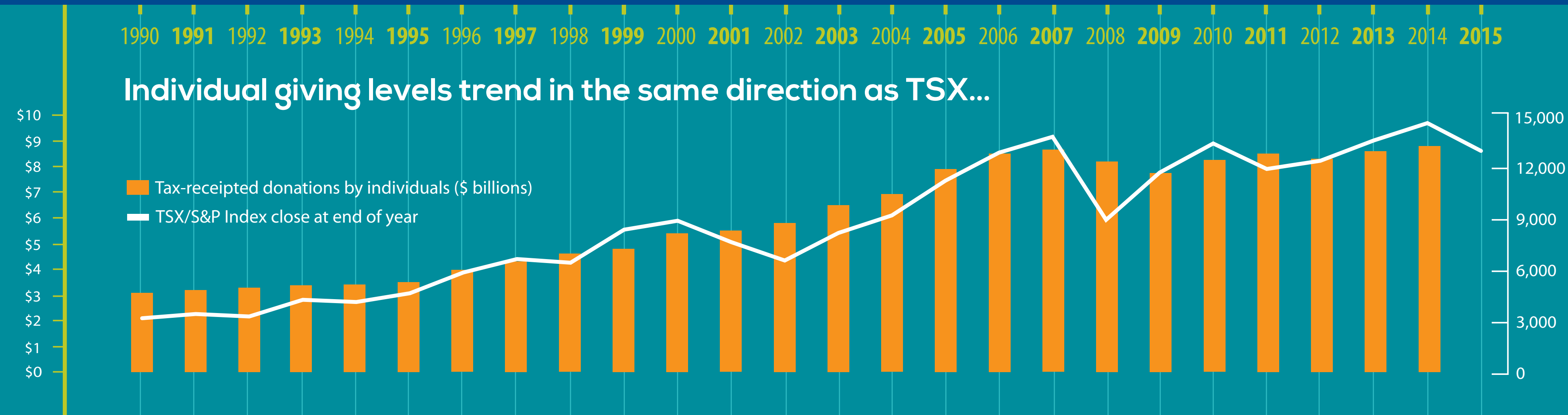
Philanthropic Trends Quarterly© is published by KCI.

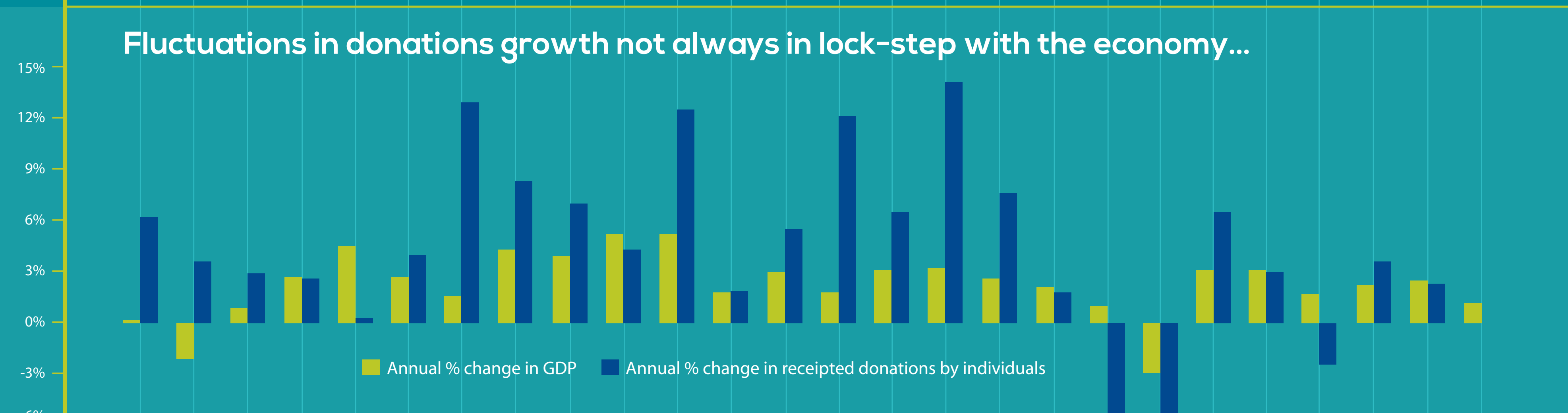
Philanthropic Trends Quarterly© is intended to provide an anecdotal 'snapshot' of philanthropy in Canada. We hope it will serve as a useful overview for observers of the charitable and nonprofit scene.

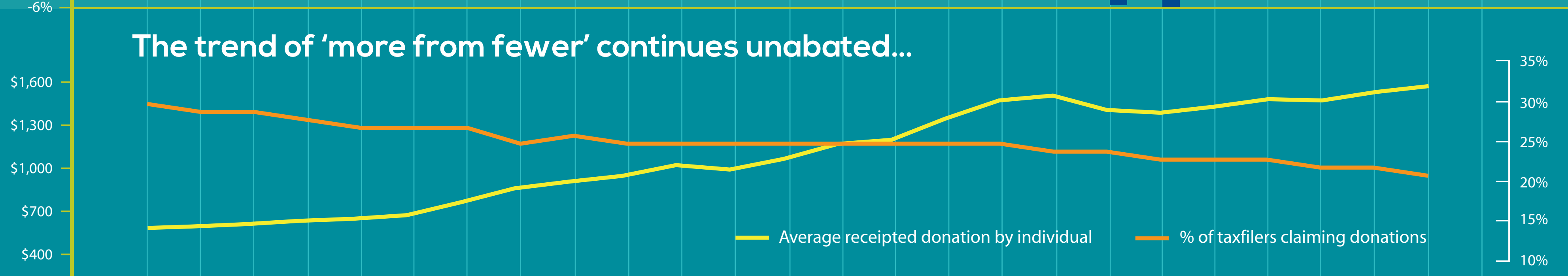
Aussi disponible en français. Illustrations by Rocco Baviera.

FORWARD THINKING

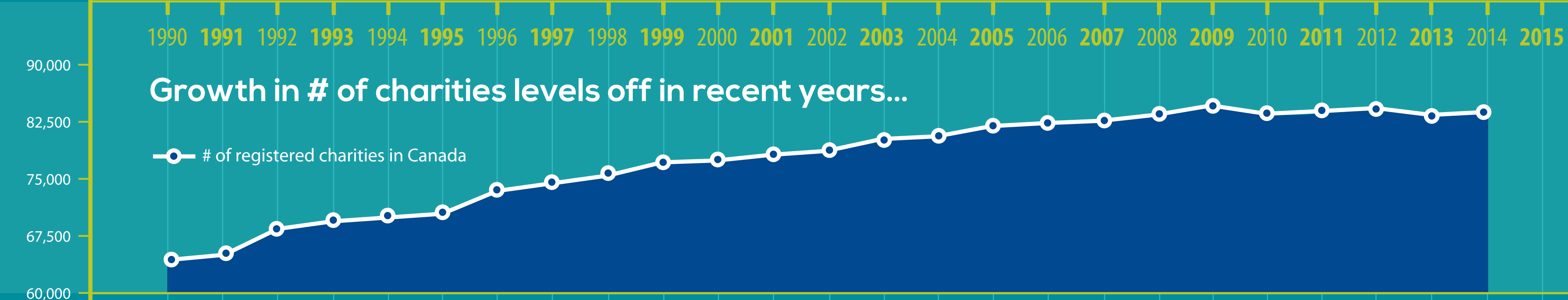
KCI 25 YEARS OF BULLS, BEARS AND CANADIAN PHILANTHROPY







Growth in # of charities levels off in recent years...



Notable tax policy changes

1990 Maximum tax credit for charitable donations is 20% of taxable income.

1996 Maximum tax credit increased to 50% of taxable income.

1997 Maximum tax credit increased to 75% of taxable income. Also, capital gains tax on publicly-traded securities donated to charities temporarily cut in half.

2000 Capital gains inclusion rate reduced to 67%, and then 50% later in year.

2001 The temporary reduction on capital gains tax on donations of publicly-traded securities made permanent (had been scheduled to expire on Dec 31, 2001).

2006 Capital gains tax on donations of publicly traded securities is eliminated.

2013 First time Donor's Super Credit is introduced for 2013-2017 tax years, adding 25% to federal charitable tax credit for eligible 'first-time' donors.

Landmark major gifts

1991 Peter Wall makes a gift of $15 million to University of British Columbia, creating the Institute of Advanced Studies. This is the largest gift to a Canadian university to date.

1995 Seymour Schulich gives $15M to York University, naming the Schulich School of Business.

1998 Stewart Blusson makes a $50M gift to UBC; at the time, this is the largest gift ever made to a Canadian university. In 1999, the federal government pledges to match the gift.

1999 Jim Pattison gives $20M to VGH & UBC Hospital Foundation; this is the largest private donation ever made to a health care facility in Canada to date.

2002 Kenneth Thomson donates an art collection valued at ~$300M to the AGO, as well as $70M in cash to support the Gallery's expansion and endowment.

2003 Michael deGroote donates $105M to McMaster University's Faculty of Health Sciences. It is the largest cash donation to date in Canadian history.

2006 The Fondation Lucie et Andre Chagnon pledges $200M to Investir pour l'avenir, a Quebec government initiative to promote healthy habits and prevent health problems related to obesity.

2010 The Garron Family gives $30M, believed to be the single largest private gift to paediatric cancer in North America to date, to SickKids.

2011 The Frank and Ellen Remai Foundation gives $30M to Art Gallery of Saskatchewan; this is believed to be the largest gift in the history of the province to date.

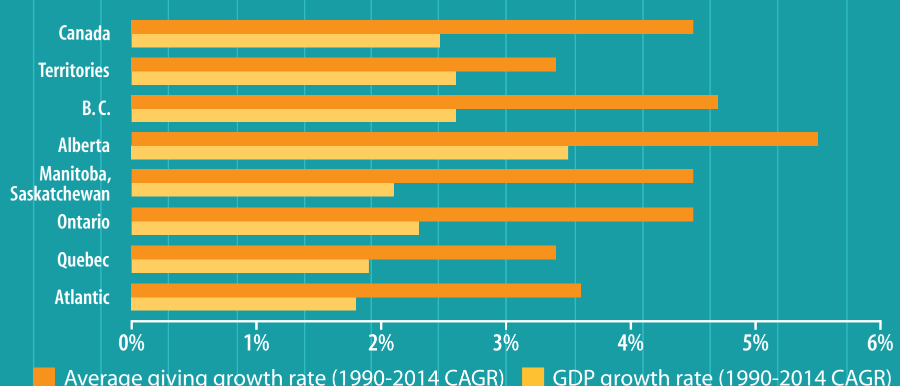
2012 Peter Gilgan gives $40M to SickKids; this is the single largest private donation ever made to a children's hospital in Canada to date.

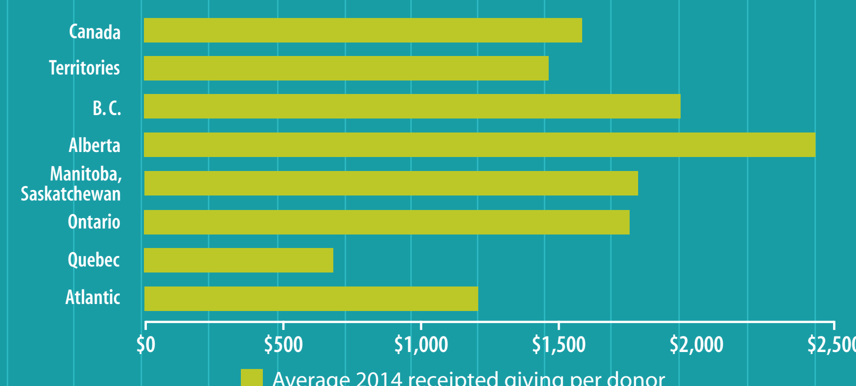
2013 A $117M gift from Daryl "Doc" Seaman is announced by the Calgary Foundation. It is the largest gift to a community foundation in Canada to date.

2014 The Rogers Family donates $130M to SickKids Hospital, the University Health Network and the University of Toronto to establish the Ted Rogers Centre for Heart Research. It is the largest private donation in Canadian healthcare history to date.

2015 A number of significant donations are made, including Berna and Myron Garron's $50M to Toronto East General Hospital, the largest ever to a Canadian community hospital; and Peter Allard's $30M to name the Peter A. Allard School of Law at UBC, the largest to a Canadian law school to date.

Differences across regions in GDP growth, charitable giving growth and average gift level...





Sources: CRA, Statistics Canada, TSX, KCI Research