Emerging Information and Reporting Issues for Grantmaking Foundations
A preliminary discussion in a Canadian context

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ABSTRACT

Information and reporting issues are most present than ever in an accountability context, Grantmaking foundations in Canada are part of the development of better practices for the sector. The objective of the paper is to examine emerging information and reporting issues of grant-making foundations. To structure our analysis, a framework based on theory of stakeholders and information flows was developed. Some general trends and issues regarding information are discussed before examining a number of forms of reporting, such as tax and regulatory, financial, social, and grantmaking.

RÉSUMÉ

Les enjeux liés à l’information et à la communication sont plus présents que jamais dans un contexte de responsabilisation de plus en plus présent. Les fondations subventionnaires du Canada font partie intégrante du développement des meilleures pratiques pour le secteur. L’objectif du rapport est d’examiner les enjeux émergents liés à l’information et à la communication des fondations subventionnaires. Afin d’organiser le rapport, un cadre d’analyse basé sur la théorie des parties prenantes et sur la circulation de l’information a été développé. Certains enjeux généraux sont soulignés. Ensuite, quelques formes de communication de l’information, notamment celles fiscales et réglementaires, financières, sociales et subventionnaires font l’objet d’une brève discussion.

Citation suggestion:
INTRODUCTION

Nonprofits, charities and foundations play a pivotal role in society and are well-positioned to effect societal change and have a societal impact. Emerging trends and changes in the contextual environment of nonprofits (Johnston, 2012; Kaplan and Grossman, 2010; Pearson, 2010) bring numerous challenges, including those related to accountability.

Canada Revenue Agency (CRA) describes a registered charity as an organization established and operated exclusively for charitable purposes (CRA, 2009). Foundations are a sub-group of charities, which include charitable organizations and foundations. The research project perspective is to examine grantmaking foundations. However, legally per the Income Tax Act (ITA), charitable foundations are subdivided into public foundation and private foundation.

- public foundation
  
  Public foundation means a foundation where more than 50% of its board operating at arm’s length and no de facto or de jure control by a person who has donated more than 50% of its capital (major donor) (Innes and Boyle, 2006; ITA 149.1(1)).

- private foundation
  
  “Private foundation means a charitable foundation that is not a public foundation” (ITA 149.1(1)).

As funding organizations, charitable foundation doesn’t need to carry the charitable activities themselves. “Charitable foundation means a corporation or trust that is constituted and operated exclusively for charitable purposes, no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof, and that is not a charitable organization” (ITA 149.1(1)).

Connolly, Dhanani and Hyndman (2013) distinguish UK charities in two broad categories, which could be helpful in a Canadian context: fundraising and grantmaking. Fundraising charities engage directly with beneficiaries and seek funding from the public. Grantmaking charities provide grants to grantees (other charities or nonprofits) to finance their charitable activities, doesn’t engage directly with beneficiaries and doesn’t seek funding from the public.

In addition to the public and private classification, foundations could also be classified as family (Fondation Lucie et André Chagnon, The J. W. McConnell Family Foundation), corporate (RBC Foundation, Mastercard Foundation), community (Winnipeg Foundation, Vancouver Foundation, Community Foundation of Ottawa), governmental (The Ontario Trillium Foundation, Alberta Innovates – Health Solutions), philanthropic clubs (Rotary, Lions, Kiwanis) and specific goals foundations (Canadian Wildlife Federation, The Hospital for Sick Children Foundation / SickKids Foundation) (Chamberland, Gazzoli, Dumais, Jetté and Vaillancourt, 2012).
Imagine Canada and Philanthropic Foundations Canada (2014) evaluated grantmaking foundation against a number of criteria for public and private foundations. Grantmaking foundations are “running an independent, discretionary grantmaking program” that “is either an ongoing activity that is for a time-limited period or, if time limited, must be the primary focus of the organization during the time-limited period”; “provides grants to unassociated qualified donees, rather than associated charities”; “selects individual qualified donees at the discretion of the foundation, rather than as directed by other authorities such as donors” (Imagine Canada and Philanthropic Foundations Canada, 2014, p.19).

With their criteria, Imagine Canada and Philanthropic Foundations Canada (2014) distinguish a number of foundations such as fundraising arm (e.g. hospital foundation), fundraising intermediary, donor-advised fund, operating foundation, nondiscretionary funders, grantmaking foundation and community foundations. Community foundations “frequently have significant components of grantmaking that are donor directed and they specifically focus their grantmaking on defined geographic areas” (Imagine Canada and Philanthropic Foundations Canada, 2014, p.19).

In our research, a grantmaking foundation is a registered charity (public or private foundation) that meets the criteria established by Imagine Canada and Philanthropic Foundations Canada (2014) for their grantmaking and community foundations definitions.

Research on the reporting, public policies and legal aspects of grant-making foundations in Canada is in its infancy (Innes and Boyle, 2006). Considering the lack of knowledge in the Canadian context, studies from other countries will be used. However, further research is needed to provide evidence in Canada. The objective of the paper is to examine emerging information and reporting issues of grantmaking foundations. To structure our analysis, we develop a framework based on theory of stakeholders (Mitchell, Agle and Wood, 1997) and information flows. Some general issues and trends are discussed before examining a number of forms of reporting, such as tax and regulatory, financial, social, and grantmaking.

In the remainder of the report, we first present a framework for understanding information issues. Second, we present general trends and issues regarding information. Third, we describe issues in various forms of reporting: tax and regulatory, financial, social, and grantmaking. Fourth, we conclude with questions for future exploration.
FRAMEWORK FOR UNDERSTANDING INFORMATION ISSUES

Information circulates among different stakeholders (Connolly, Dhanani and Hyndman, 2013; Mitchell, Agle and Wood, 1997). The information transfers could result from mandatory and regulatory requests or voluntary disclosure. Information requests and transfers represent the information flows. Motivation for information exchanges could include oversight by governments, looking at operations of grantees, supporting decision-making by the public, acting as a marketing tool to enhance reputation and sharing information for collaboration effort between foundations. Information flows among the different stakeholders could be private between only a small number of stakeholders or be public and generally available.

There are many reasons why grantmaking foundations might share information (Koppel, 2005, 2011):

- to make information about its activities accessible to stakeholders;
- to demonstrate that progress has been made on stated objectives;
- to demonstrate that any applicable rules, regulations, accounting principles, codes of conduct and laws have been followed;
- to ensure dialogue with and responsiveness to constituents and beneficiaries;
- to learn from one’s own or other organizations in order to improve practice.

According to Northcott and Uytterhagen (2002, p.6), information sharing is part of a larger issue of accountability, which is of importance of many Canadian grantmaking foundations:

“Professionalization, strategic philanthropy, the quest for innovation, and concerns over civic duty all drive an expectation of accountability – from both grantmakers and grant recipients. According to our respondents, foundations are increasingly emphasizing the importance of monitoring and evaluating the work they support. They are also opening their own policies and practices to greater public scrutiny. Private foundations have an extra impetus for being accountable in that doing so will help broaden public understanding of the social value of private foundations, and perhaps help lead to equitable tax treatment relative to community foundations”.

In addition, it is helpful to place grantmaking foundations within the context of regulation and transparency pressures being experienced for charities as a whole in Canada, with example such as abusive tax shelters in donation receipts (Phillips, 2013) (see Glass and Brouard, 2015 for more detail on transparency issues). Thus, grant-making foundations, like all charities, are enmeshed within a “polycentric charity regulatory regime” (Phillips, 2013, p.884-885) made up of multiple sources of information requirements and disclosures (see Elson and Hall, 2015 for more detail on policy).
Stakeholders and Information Flows

In this section, we want to present a framework to help our understanding of the information flow issues. Stakeholder theory could contribute in analyzing issues in the context of grantmaking foundations activities (Connolly, Dhanani and Hyndman, 2013). For organizations without shareholders, accountability “is driven by the number and the power of different stakeholders” (Dainelli, Manetti and Sibilio, 2013, p.649). A number of stakeholders are identified in our framework, such as grantmaking foundations, governments, donors, grantees, public, media and intermediaries (Charity Commission, 2009; Connolly, Hyndman and McConville, 2013b; Gordon, Khumawala, Kraut and Meade, 2007; Mitchell, Agle and Wood, 1997). All those stakeholders operate in a web of information exchanges.

Grantmaking private or public foundations are registered nonprofits and charities and must therefore respond to the reporting requests set out by regulators, most prominently the Canada Revenue Agency (CRA). Directors and employees (including management team and volunteers) are stakeholders within foundations. Governments, as regulators, play a key role regarding information (Hyndman and McMahon, 2010). For our purpose, governments include all the agencies, ministries and entities, such as Canada Revenue Agency (CRA), Industry Canada, Finance Canada, Statistics Canada, political parties. Donors are considered the primary stakeholders (Hyndman, 2010), because without them there is no foundation in the first place. Grantees are organizations or individuals who received grants from grantmaking foundations. The public include the general public and beneficiaries (Lee, 2004). The media include newspapers, television, radio, and various social media. Intermediaries present multiple faces. Some are organizations that monitor charitable sector, disseminate information and provide ratings (Gordon, Knock and Neely, 2009; Phillips, 2013). Auditors provide assurance on financial statements and financial information (Sinclair, Hooper and Mohiyaddin, 2011). Researchers could be seen as intermediaries as well (Brouard, 2014a). The accounting profession plays also a role in the development of accounting standards for nonprofits, charities and foundations (Hyndman and McMahon, 2010).

Networks of grantmaking foundations and governments institutions are included in the framework, because information sharing and collaboration is considered a growing trend (Pearson, 2010). Information sharing happens within a group of grant-making foundations, especially for larger ones, with association such as Community Foundations of Canada (CFC), Philanthropic Foundations Canada (PFC), or by common interest such as the Canadian Environmental Grantmakers Network and Circle on Aboriginal Grantmaking in Canada (Pearson, 2010) (see Glass and Brouard, 2015 on information sharing issues).

Figure A shows the key stakeholders and main information flows connected to grantmaking foundations. The main nexus of information flows are between: donors and foundations; foundations and grantees; foundations and governments; the public, governments and the public, grantees and the public. Some exchanges are
meditated by media and/or intermediaries. Information flows are presented with arrows of different colours for requests and transfers.

**Figure A – Stakeholders and Information Flows**

Information requests and transfers represent the information flows and are created by all stakeholders. Two main dimensions could help described information flows, i.e. requests of information and disclosure / accessibility of information. Requests of information could be mandatory and voluntary. Disclosure / accessibility of information could be public or private. Information flows may fall between the continuum of those dimensions. Information disclosure could origin from the stakeholder themselves or from other stakeholders, with or without their consent. Table 1 illustrates common reporting and information sharing mechanisms that exist in the Canadian grantmaking foundation sector along the two dimensions.
Table 1 - Examples of Information Shared by Grantmaking Foundations

<table>
<thead>
<tr>
<th>Audience/User</th>
<th>Type of Information Request</th>
<th>Mandatory</th>
<th>Voluntary</th>
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<tbody>
<tr>
<td>Public</td>
<td></td>
<td>T3010 return for Canada Revenue Agency (CRA)</td>
<td>Foundation website</td>
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<tr>
<td></td>
<td></td>
<td>List of Board members</td>
<td>Granting policies and procedures</td>
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<tr>
<td></td>
<td></td>
<td>Annual Information Return for Industry Canada or provincial incorporating body</td>
<td>Other policies (e.g. investment)</td>
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<td></td>
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<td>Annual report</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Past and current grants disbursed (amount, recipient, purpose)</td>
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<td></td>
<td>Descriptions of grantee initiatives, outcomes and impact (may be private)</td>
</tr>
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<td></td>
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<td></td>
<td>Information sharing by foundation networks (e.g. best practices; collaborations) (may be private)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Adhesion to standards programs (e.g. Imagine Canada)</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td>Audited financial statements</td>
<td>Self-evaluation by foundation of its processes or results (may be public)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Information about officers</td>
<td>Evaluation of grantee initiatives (may be public)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corporate records (Board meeting minutes and resolutions, By-Laws, etc)</td>
<td>Information sharing among foundations (e.g. improving practice; investment policies; policy templates; salary scales)</td>
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<td>Grantee reports to foundation</td>
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<td>Foundation reports to donors</td>
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Types of Information Reporting

Information could lead to knowledge that is also a valuable resource of foundations in addition to money (Schorr, 2004). This paper explores four broad types of information reporting, more specifically: tax and regulatory, financial, social, and grantmaking. For our purpose, reporting represent the organization of information flows along common set of characteristics and objectives.

Tax and regulatory reporting is concerned by the general requirements imposed on charities by governmental stakeholders and specific requirements on foundations by the Income Tax Act, such as the T3010 Information return, and other regulatory requirements.

Financial reporting refers to financial statements and other financial information, which are generally prepared internally and are mostly quantitative measures. Performance is examined under financial reporting for the financial information, because it is often the responsibility of the same group of person.

Social reporting refers to information shared about foundations’ activities, non-financial performance and impacts. Such information can be prepared internally or by stakeholders such as the media, government agencies or other intermediaries and can include both quantitative and qualitative measures.
Grantmaking reporting refers to information requests and disclosure between foundations and grantees and information about grants shared with other stakeholders.

Figure B indicates our interpretation of where the four broad types of reporting and information exchange fall on the axis regarding the mandatory or voluntary nature of information requests and of the disclosure/access to information is public or private.

**Figure B – Information Requests and Disclosure**

*Requests of information*

- **Mandatory**
  - Public
    - Tax and Regulatory Reporting
  - Private
    - Grantmaking Reporting

- **Voluntary**
  - Public
    - Financial Reporting
  - Private
    - Social Reporting
TRENDS AND CROSSCUTTING ISSUES REGARDING INFORMATION FLOWS

In a context of need for increasing public trust and confidence toward charities (Hind, 2011; Yasmin, Haniffa and Hudaib, 2014), a number of general trends and transversal issues could be raised regarding information exchanges related to grantmaking foundations.

Johnston (2012) outlines five trends affecting the context of Canadian philanthropy. First, there is more demand to non-governmental sources for funding due to state of public finances. Second, more foundations will probably appear following intergenerational transfer of wealth. Third, new players and new ideas are entering the philanthropy domain, for example social enterprises and social entrepreneurship. Fourth, there is growing public attention from many stakeholders, such as media, public, donors, governments. Fifth, due to tax advantages of donations, there is an increased call for accountability by the public. Pearson (2010) cites some factors that may encourage collaboration between funders, namely the impact of the recession, the increasing diversity of the philanthropic landscape, as well as the generational change in philanthropists (Brouard and Larivet, 2010).

Complexity and Diversity of Accountability

There is a call for greater accountability and transparency in the charitable sector (Cordery and Morgan, 2013). However, the presence of different stakeholders represent different information needs to achieve different purposes and a complex system of information flows and reporting. With multiple stakeholders and their respective objectives and priorities, grantmaking foundations should try to establish a delicate balance to achieve accountability (Connolly and Hyndman, 2013b). Difficulties in establishing priority and gap between a diversity of user-needs of stakeholders may lead to weaker accountability (Connolly and Hyndman, 2004). Multiple stakeholders may have different level of trust and demand, for example faith-based charity (Yasmin, Haniffa and Hudaib, 2014).

“Many funders collect data only for accountability purposes, rather than learning” (Lenczner and Phillips, 2012, p.14). However, some sector observers have noted that recently, “more foundations in Canada have shifted their approach to evaluation for learning versus just an accountability tool” (Blair Dimock, personal communication, February 20, 2015). There is a trend towards merging these two purposes through evaluation and reporting between funder and fund recipient. Some foundations place a high priority on evaluation and provide resources specifically for their grantees to undertake evaluation, which is otherwise often under-resourced among nonprofit organizations.

In grantmaking, it is likely unrealistic and maybe not desirable to expect common applications or reporting formats across multiple foundations because of the limits this would place on the creativity and relevant information flows of each foundation with
grantees (Anil Patel, personal communication, March 25, 2015). Instead, Anil Patel of GrantBook suggests that the interoperability of such information systems, or how well systems talk to each other, should be where the Canadian foundation sector invests its attention and information systems development in order to make data more shareable and useful.

Reporting takes many forms presently. New mandatory mechanisms to enhance accountability appear in other country, for example public benefit reporting in the trustees' annual report in England and Wales (Morgan and Fletcher, 2013). Should we envision using those new mechanisms of reporting?

**Quantity, Quality, Comparability, Privacy and Cost**

Some information asymmetry exists regarding grantmaking activities (Cordery and Morgan, 2013). When looking at information flows, quantity and quality dimensions should be examined. The question of the quantity of information is a concern, for example the donor-advised fund in the US and the ‘payout’ rate (GAO, 2006). Information overload may be an issue as important as the lack of information is. Is more information always better?

The quality of accessible and available information offering transparency, reliability, timeliness, consistency is always a challenge (Breen, 2013; Yasmin, Haniffa and Hudaib, 2014). Even with the effort on transparency, Connolly, Hyndman and McConville (2013a, p.785) found that changes in accounting standards may “resulted in charities ‘managing’ the numbers and limiting their disclosures, possibly to the detriment of external stakeholders”. Which information should be mandatory vs voluntary? How and who should determine if information should be via private or public disclosure? How information disclosure should be regulated?

Reaching for comparability between grantmaking foundations and grants is a goal to enhance learning and accountability. Without comparable information, it may be more difficult to compare and analyze the performance of the foundations and the societal impact. “Currently, the terms to describe funding areas are not comparable across foundations” (Hilary Pearson, personal communication, February 19, 2015). Is comparability hindered by lack of reporting standards? Would a typology help information flows and reporting?

With disclosure of information, question about privacy of Information and costs of information are another challenge. Which stakeholders’ rights should be privileged? Who received benefits from information disclosure? Who should pays for information requests and transfers?
Open Data

The move towards greater transparency, shared measurement and sharing of grantmaking information fits within a much broader trend towards open data in the nonprofit sector. “Open data is likely to be a game changer for charity transparency, and the challenge for the third sector lies in developing the skills, particularly data analytic skills, to be both better consumers and producers of such data” (Phillips, 2013, p.901).

There has been a growing momentum in the Canadian nonprofit sector to expand its use of open data to achieve a number of purposes (Van Ymeren, 2015). Grantmaking foundations could apply such data in many ways:

“By using digital data, funders have opportunities to improve their analysis and their decision making. Connected datasets allow funders to address a wide range of questions: the impact of their grants, how they fit into the funding landscape of a locale, or how best to leverage other funders. With a clearer picture of the revenues and financing mixes of its recipients, funders are empowered to make better decisions. Easily accessible data on who is funding what in a city or region might provide the impetus to advance the formation of regional networks and collaboration among funders that has been talked about for the last decade or so.” (Lenczner and Phillips, 2012, p.14)

While advances are being made, “the challenge for the third sector lies in developing the skills, particularly data analytic skills, to be both better consumers and producers of such data” (Phillips, 2013, p.901). Provision of raw data is one key issue in information sharing related to grantmaking foundations, and making that data “meaningful, searchable and usable” is another important, related issue (Blair Dimock, personal communication, February 20, 2015). There are a range of new initiatives and actors who are working to both make more data available and render that data useful to foundations and others in the nonprofit sector; some of these examples are identified later in this paper in the section on Social Reporting.

Size, Professionalization, Regional and Sector Effects

The great diversity of foundations in Canada has resulted in a wide variety of approaches to reporting and information sharing. In terms of information required from grant applicants, the amount and formality of information solicited seem to vary in relation with the size and number of grants provided by a foundation as well as with the foundation’s public profile (more visible foundations having more formal or detailed processes) (Leat, 2007).

Foundations that have larger endowments or more staff are more likely to have robust approaches to the evaluation of their own and their grantees’ activities as well as to participate in information sharing in their field (Coffman, Beer, Patrizi and Thompson, 2013). In the US, “many large foundations have increased the evaluation requirements that accompany their grants” over the last decade (Carman, 2009, p.375). Little attention has been paid, however to smaller foundations and we know less about their evaluation
requirements of grantees (Carman, 2009). Should we have the same expectations for larger and smaller grantmaking foundations?

The amount of funds provided via grants may also impact stakeholder’s expectation of what and how much information should be provided to the public: “For individual donors who operate quietly or who give only modest amounts of money, there are rarely groups complaining about access, transparency, and fairness. For large institutional donors, including private, corporate, and community foundations, the accountability issue is far more pressing” (Frumkin, 2006, p.56).

The number of professional employees likely also has an effect on how much and by what mechanisms information is shared with the public, as smaller foundations often dedicate fewer human resources to managing their activities and communications. There may also be effects regarding the timeliness or accuracy of financial accounting and required reporting such as filing the T3010 return, depending on the size and professionalization of the foundation, but this would require further research to determine.

There are some differences in regulatory reporting requirements based on which jurisdiction a foundation is incorporated, be it federally or with one of the provinces. The wide variety of sectors adds difficulties to obtain comparable information. Should different sectors, for example: MUSH (municipalities, universities, schools and hospitals), arts and culture, sports, religion, women shelter, be treated the same way? Are there differences in reporting quantity and quality between regions and sectors?

**Sharing Information and Collaboration**

“Many, if not most, funders now publish information online as to whom and what they fund. . . [However,] the information comes in heterogeneous formats and layouts, at different time intervals, with different levels of detail, and is published under different licenses” (Lenczner and Phillips, 2012, p.12).

There is a growing consensus that sharing information about grants made to whom, by whom and for what purpose would increase the knowledge and effectiveness of the voluntary and public sectors. “Governments and granting organizations need to develop common standards for how we share data, such as common tagging, keywords and systems to deliver data” (Blair Dimock, personal communication, February 20, 2015). Suggestions that “producers of data about the nonprofit sector need to collect and publish their data in ways that facilitate reuse” are proposed (Lenczner and Phillips, 2012, p.15). However, collaboration requires effort, time, and structure of different networks. Who should take a leadership role in collaborative effort?
FORMS OF REPORTING

Information flows take different forms of report, namely tax and regulatory, financial, social, and grantmaking reporting. For each form, quantity and quality perspectives on information should be considered. This section presents a brief analysis of each of those different forms of reporting.

Tax and Regulatory Reporting

Tax and regulatory reporting is concerned by the general requirements imposed on charities by governmental stakeholders and specific requirements on foundations by the Income Tax Act, such as the T3010 Information return, and other regulatory requirements.

In Canada, the major regulatory mandatory requirements (tax and other) are as follows:

- Income Tax Act (ITA) and provincial tax laws
- Other federal and provincial bodies with regulatory role overseeing nonprofits (See http://www.cra-arc.gc.ca/chrts-gvng/chrts/prvncs/menu-eng.html for a list of provincial or territorial requirements. They regulate the activities, such as business activities, fundraising, governance, use of charitable property.)

CRA Reporting Requirements

Exchanges of Information with Canada Revenue Agency (CRA) take place during the application process of registration (form T2050), change to designation (form T3011) revocation, re-registration or annulment (forms T2046, T2050) and annually with the information return (form T3010) (Brouard, 2014a). The T3010 asked to all charities for a number of questions on identification, directors, programs, financial information. However, specific information is required from foundations or are more relevant to them, such as Schedule 1 with four questions, T1236 (Qualified Donee Worksheet), disclosing grantees, and T2081 (Excess Corporate Holdings Worksheet). CRA makes paper copies of completed T1236 form available to the public, only if requested; not available electronically. T3010 information is available to the public on the CRA website.

Imagine Canada and Philanthropic Foundations Canada (2014, p.23) report on the quality of reporting on T1236: “the overall quality of the grants data is excellent … The average percentage of total reported gifts captured as grants on the T1236 form was over 95% for top grantmaking foundations and 93% or more for top community foundations for all years … only a handful of foundations showed discrepancies where the total value of grants collected from the T1236 form exceeded the value of gifts reported” in the T3010. CRA could also perform tax audit on foundations, when judged necessary. Data on the frequency, reasons and results are disclosed in a limited way by CRA. In recent years, political activities seem to be a greater concern of foundations (Tsao, Stoffman, Lloyd-Smith, Mohomoud and Sandborn, 2015).
Evolution of Tax Reporting in Canada

Following the 2014 Federal budget, CRA received some funds to redesign the T3010 as part of the modernization of its information technology systems to support electronic service options for charities (Brouard, 2014a). Members of the T3010 Users Group organized the T3010 Users Research Day on May 26, 2014 (Brouard, 2014c). The objective of the event was to offer an opportunity to discuss different issues and challenges regarding the data collected and improvement of research using the Registered Charity Information Returns (T3010). This one day think tank was attended by academics, government representatives (CRA, Finance Canada, Statistics Canada), practitioners and professionals (Brouard, 2014c).

A number of issues and suggestions were raised around a number of themes, both on quantity and quality aspects, for examples: charities with a business, purpose and scope of the form, financial information, governance, description of activities, work of volunteers, performance, fundraising, employees, related parties (Brouard, 2014a; 2014b; 2014c). Among the issues raised for the T3010 redesign exercise, CRA consider e-filing, use of better standards, adoption of open data.

Example of Challenges Related to Existing Tax Reporting

Many challenges could be mentioned regarding existing tax reporting. Those are provided as examples and should not be considered exhaustive. Most studies are not focusing on grantmaking foundations, but on charities in general.

Arbitrary Distinction, Classification of Expenses and Emphasis

There are some unclear guidelines that could lead to arbitrary allocation of expenses between different types of expenses (charitable, fundraising). This may due to accounting systems and chart of accounts which are not generally organized by purpose (ex: fundraising) but by nature of expenses (ex: advertising, salaries). Some of the data used (e.g. fundraising expenses) and the ratio calculated may be based on false data. Combined with a lot of emphasis on percentage of fundraising expenses and administrative expenses (Connolly, Hyndman and McConville, 2013a), the quality of information may affect decisions made.

From a UK study (Connolly, Hyndman and McConville, 2013a, p.801): “Charitable expenditure is almost always the largest proportion of cost in a charity, and this research has shown that, once charities had the freedom to allocate support costs to various activities, a disproportionately high share of support costs was allocated to charitable activities, with a disproportionately low level allocated to fundraising, and a minimal amount reported as governance. This possibly indicates that the sample charities may be engaged in minimising their (perceived as undesirable) fundraising costs through the allocation of joint costs to charitable activity, instead of spreading those costs across all cost categories in a manner that reflects cause and effect. In the same way, charities may also seek to report lower costs of governance (which are the closest in definition to
administrative costs, and potentially viewed most negatively by external stakeholders)."

Looking at Charity Navigator ratings, Ling and Neely (2013, p.69) examined financial reporting quality and found that “highly rated organizations are more likely to underreport fundraising expenses and overstate program ratios.” Van Der Heijden (2013, p.50) found that “reported levels of program-spending efficiency and administrative efficiency are similar across small and large charities.”

In Canada: “Public foundations tend to use most fundraising methods more frequently than do private foundations or operating charities” (Ayer, Hall and Vodarek, 2009, p.10). “Private Foundations … rely much more on tax-receipted gifts and interest and investment income for their funding than do operating charities and somewhat more than public foundations do. They also receive a greater percentage of revenues from the disposition of assets. Public foundations, on the other hand, rely more on revenue from fundraising than other organizations.” (Ayer, Hall and Vodarek, 2009, p.13)

Program-Related Investments

Foundations are increasingly interested in making investments as well as grants to further their mission (MaRS, 2014; Martin, 2012; Nixon, 2013; Strandberg, 2010). Examples of program-related investments (PRIs) are loans or share purchases that further the charitable purposes of the foundation with expectation of full or partial repayment of the capital. The CRA has provided guidance about how foundations should report such investments in the T3010 return, including clarifying that foundations can indeed invest in non-charitable organizations to meet their charitable goals (CRA 2012a; 2012b). This guidance is relatively new, however, and Canadian foundations continue to articulate concerns about how to apply the guidelines, presenting a barrier to making PRIs (Nixon, 2013). It may be that reporting and accounting requirements and procedures related to PRIs are a challenge for foundations, and further research could illuminate this issue.

Charity versus Business

Current law presupposes that charity and business are categorically distinct. In most instances, this is true. However, it is becoming increasingly clear that such a stark juxtaposition between charity and business might not form the basis for the most rational regulatory frameworks. The emergence of social enterprise reflects a hybrid category that current law is not especially adept to accommodate. Further, the long-term existence of fee charging charities complicates the distinction between charity and business. It also complicates the more fundamental distinction drawn by current law between for profit and nonprofit institutions. One of the challenges apparent in current law is that courts and regulators are forced to rationalize limits on the revenue generating activities of charities in light of the stark juxtaposition drawn in current law between business and charity.
With the growth of social enterprises, the issue regarding related businesses of charities becomes more important.

“The Income Tax Act ... allows [charities] to carry on a related business. Charities designated as private foundations are an exception—they can lose their registration if they carry on any kind of business, whether related or unrelated. The Income Tax Act does not define a related or unrelated business, apart from saying that a volunteer-run business is to be considered a related business, even if there is no link between the business and the objects of the charity. Charity law, reinforced by provisions in the Income Tax Act, requires that charities have exclusively charitable purposes. Running a business cannot become a purpose in its own right - it must remain subordinated to the organization's charitable purpose.” (CRA, 2003)

**Other Regulatory Reporting Requirements**

“A foundation may be constituted as a trust or incorporated as a not-for-profit corporation under provincial or federal legislation and therefore regulated under the federal or provincial corporate or trust legislation” (Johnston, 2012, p.6). The Canada Not-for-profit Corporations Act outlines certain record-keeping and disclosure requirements for all nonprofit organizations, including foundations, which are incorporated federally. Nonprofits must maintain board meeting minutes and resolutions and make these and other documents available to board directors and members of the organization. Articles of incorporation, by-laws, descriptions of debt obligations, and lists of officers and members of the organization must be shared with directors and with those members that request this information (Industry Canada, 2013a). Nonprofits are not obligated to provide this information to non-members. However, basic information from the Corporations Canada annual filing, including addresses of the organization and board directors, previous names of the organization and the status of annual returns, is made available to the public online (Industry Canada, 2013b; 2014). Each province where nonprofits may be registered has its own requirements regarding documentation and disclosure. Common requirements include an annual information return listing board members and contact information.

**Government Disclosure of Charity Information**

The CRA makes data from foundations and other charities annual T3010 Information Returns available on its Charities Listings site (CRA, 2014b). Thus, the public is able to verify if a foundation is a registered charity in good standing as well as view the contact information, list of board members, and financial data as provided by the foundation in its annual return. Some provinces also share basic information with the public about registered organizations. Some jurisdictions provide this information for free, such as Quebec (Registraire des entreprises Québec, 2012), while others, such as Ontario requiring a fee for each search conducted (ServiceOntario, 2014).
Financial Reporting

Financial reporting is concerned by the financial statements and other financial information, which are generally prepared internally and are quantitative measures. Performance is examined under financial reporting for the financial information, because it is often the responsibility of the same group of person. A user-needs model may be useful to address foundations reporting (Connolly and Hyndman, 2003; 2004).

“Mandatory disclosure of financial information through annual reports is often the flipside of official status as a ‘charity’ or ‘public benefit’ organization, and is primarily intended to ensure honesty, prevent fraud, and demonstrate that charitable funds are substantially devoted to charitable purposes (Brody, 2002; Breen, 2013)” (Phillips, 2013, p.883).

Exploring attitudes of stakeholders to financial reporting in Australia for nonprofits, Palmer (2011, p.217) found that financial reporting is “an important part of accountability” and deficiencies are “in terms of consistency, efficiency and transparency”. “Charities should be accountable to those outside their immediate management and the financial statements and annual report of a charity are important documents through which this accountability can be discharged.” (Connolly, Hyndman and McConville, 2013a, p.800)

Financial Statements and GAAP

Financial statements for nonprofits, including foundations, are: a statement of financial position, a statement of operations, a statement of changes in net assets, a cash flow statements and notes to the financial statements. Simplified version of the financial statements may be sufficient to some users (Hyndman, 1991).

Generally accepted accounting principles (GAAP) encompass broad principles and conventions of general application as well as rules and procedures that determine accepted accounting practices at a particular time and serve as accounting basis. With government, accounting profession is a key stakeholder for the development of accounting standards (Hyndman and McMahon, 2010). Not all stakeholders are necessary listen to during the development of accounting standards (Sinclair and Bolt, 2013). The accounting issues and practices for nonprofits have evolve over time in Canada, but not that much for foundations specifically (CICA, 1980; CPA Canada, 2015).

Compare to UK, but similar to other countries (Australia, New Zealand) (Kilcullen, Hancock and Izan, 2007), accounting standards in Canada are not designed for foundations but for nonprofits in general. A diversity of GAAP exists. For example in Canada, establishing standards of accounting and reporting by Canadian corporations and not-for-profit organizations is under the responsibility of the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB).
The Canadian accounting standards are included in the CPA Canada Handbook and the CPA Canada Public Sector Accounting Handbook (CPA Canada, 2015). In Canada, different types of entities are defined, such as publicly accountable enterprises, non-publicly accountable / private enterprises, not-for-profit organizations and public sector. Those entities and their sub-categories within those groups will be able to choose or will be force to adopt a set of accounting standards, among the International Financial Reporting Standards (IFRS) (CPA Canada Handbook, Part I), the Made in Canada standards for Private entities (CPA Canada Handbook, Part II), the Made in Canada standards for not-for-profit organizations (CPA Canada Handbook, Part III) and the Made in Canada public sector standards (CPA Canada Public Sector Accounting Handbook) (CPA Canada, 2015). For grant-making foundations, the choice is usually between Part III and PSAB standards.

Financial statements are often accompanied by a report (auditor report, review engagement report and notice to reader) prepared by a Chartered Professional Accountant (CPA) in Canada offering some degree of assurance on the financial information. However, Sinclair, Hooper and Mohiyaddin (2011, p.23) found “a problem in audit quality amongst small-sized firms” (lack of compliance with professional standards) and “a lack of understanding by charities of their financial information”, which bring questions about integrity of information.

**Example of Challenges Related to Existing Financial Reporting**

Palmer, Isaacs and D’Silva (2001) raised a concern over compliance and variations in accounting treatments with accounting standards specifically designed for charities for the financial statements in the UK. Compliance studies support the idea that compliance is stronger in larger charities (Morgan and Fletcher, 2013). A number of issues are present in financial reporting of nonprofits and charities, starting with problems in defining nonprofits (Kilcullen, Hancock and Izan, 2007). Hooper, Sinclair and Hui (2008) identify four main areas of ambiguity: fund accounting, treatment of fixed assets, accounting basis and fundraising expenses.

**Fund Accounting**

Fund accounting is a system to show revenues, expenses, assets, liabilities and net assets for the purpose designated. Hooper, Sinclair and Hui (2008) summarize some of the problems with fund accounting, namely different names to describe similar funds, illegal transfer of money between funds and use of restricted (external and internal) and unrestricted funds, lack of understanding by stakeholders between surpluses and funds.

**Treatment of Fixed Assets**

Issues regarding fixed assets could be the capitalization and inclusion of fixed assets as assets or deducted as expenses, depreciation of fixed assets, different treatment for assets purchased compare to those received as a gift (Hooper, Sinclair and Hui, 2008; Williams and Palmer, 1998).
Fundraising and Administrative Expenses

As previously discussed, allocation of overhead to fundraising and administrative expenses may cause distortion in the financial information and bring issue regarding comparability (Hooper, Sinclair and Hui, 2008). Donors and tax authorities may be influenced by the proportion of money allocated to purpose other than charitable activities.

Overall financial reporting quality

Imagine Canada and Philanthropic Foundations Canada (2014, p.20) analysis found that the "quality of data pertaining to grantmaking and community foundations is very good … we compared the values of reported and independently computed total assets and expenditures. The number of top foundations with unacceptably large discrepancies between reported and computed assets was very small, never going above 4 of 150 for top grantmakers and 1 of 10 for top community foundations in any given year. The numbers of other types of foundations with unacceptably large discrepancies was somewhat larger, particularly among the Other and Unclassified categories but the dollar values involved in these differences are quite small (fractions of a percentage point in most years)".

Public Disclosure of Financial Information

Financial information is available in the T3010 and also in the annual reports of grantmaking foundation. Sometimes it is only a summary, instead of complete financial statements, which is provided. Details of financial information are usually kept private. Phillips (2013, p.881) believe that emphasis should be less on financial reporting and a "greater emphasis on illuminating governance systems and impacts".

Additional financial related information could be budgets (e.g. prospective financial information and variances), descriptive information (e.g. tax status, organizational structure, policies, risks management) (Hyndman, 1990; Kilcullen, Hancock and Izan, 2007). Disclosure of performance information, such as achievement of objectives with an internal self-assessment, and quantitative measures may be provided (Hyndman, 1990; Kilcullen, Hancock and Izan, 2007). However, performance reporting presents many approaches and difficulties (Connolly and Hyndman, 2003).

Connolly and Hyndman (2013b) caution that financial reporting assume that stakeholders possess sufficient financial literacy and understand the financial information available.
Social Reporting

Social reporting refers to information shared about foundations’ activities, non-financial performance and impacts. Such information can be prepared internally and made public by foundations themselves or disclosed by stakeholders such as the media, government agencies or other intermediaries.

Foundations have been described by scholars on private philanthropy as “sometimes stupidly modest” (Hammack and Anheier, 2010, p.401). Indeed, “While many Canadian foundations have been operating for decades, most have remained largely invisible” (Johnston, 2012, p.1); and public information about what foundations do and achieve appears to have been quite limited until recently (Frumkin, 2006). A common critique of foundations calls for more transparency; given that donors receive a tax credit, the public has a legitimate stake in knowing foundations’ activities and results (Chamberland et al., 2012; Johnston, 2012). Indeed, “Canadian philanthropy is receiving more public attention from the media, from fundraisers, and from public policy makers. With this increasing attention will come increased scrutiny of foundations, presenting both opportunities and challenges … Canadian foundations in the future will face demands to be more open and accountable to the public.” (Johnston, 2012, p.1)

There has been a clear movement in recent years towards greater transparency in the foundation sector (Hammack and Anheier, 2013), in Canada as in other jurisdictions. For example, Philanthropic Foundations of Canada’s values and ethical principles to which their members adhere include the following points related to social reporting and public information sharing:

- “Communicating effectively and clearly about the foundation’s mission, objectives and governance;
- Disseminating and sharing knowledge developed in the course of the foundation’s work, for the benefit of the greater community” (Philanthropic Foundations of Canada, n.d.).

Public Disclosure and Information Sharing

In addition to the information about foundations required and made public by regulators (see section “Tax and Regulatory Reporting”), foundations can share anything within the range of no additional information to extensive information with the public. The last decade or two have seen a substantial increase in transparency in the philanthropic sector, “particularly within the world of private foundations, which have taken a host of information-sharing steps ... This transparency work has produced greater understanding of the field of philanthropy among the general public and allowed nonprofit organizations to research and direct their funding proposals more efficiently” (Frumkin, 2006, p. 82).

Marcel Lauziere, the former CEO of Imagine Canada, reflected on this shift among Canadian foundations during an interview in 2014: “Foundations can’t on the one hand say, ‘We want to work differently, we want to work in partnership, we want to
collaborate,’ but not realize this will probably have some influence on how transparent they are, in terms of where their dollars are going and how they undertake their decision making process. I think that is a good thing. It’s not transparency for transparency’s sake, it’s part of the new narrative that’s necessary for foundations. As they talk to Canadians, they need to be more forceful about the role they play and the role of philanthropy. With that comes transparency; there’s no question about that. But that’s going to be a challenge also. That’s a new way of thinking” (Anderson, 2014).

For some foundations, making information about their activities available to the public is a way to undertake “self-regulation through greater transparency” (Hammack and Anheier, 2013, p.155). For foundations that engage in fundraising, such as community foundations, communicating their work to the public raises profile, establishes credibility and invites further donations: “Community foundations of all sizes benefit from maintaining good public relations and communicating the effects of their grantmaking to the community. People get to know about the foundation through the projects it supports. Not only do well-publicized grant stories raise the foundation’s profile, but they also contribute to successful fund development. They let current donors know the tangible results of their giving, and they inspire potential new donors with real life success stories” (Community Foundations of Canada, 2005, p.62).

Public Information Sharing by Foundations

There is a wide range of information that is not required by regulators but which may be of interest to the public or a foundation’s specific stakeholders. Philanthropic Foundations of Canada suggests in its grantmaking guide that “an open and transparent foundation” is one that makes certain information public, including the mission and goals of the foundation, its grantmaking priorities and procedures, a database of previous grants, and the investment goals for its endowment (Johnston, 2012, p.36).

Websites are a common mechanism for sharing such information (Goatman and Lewis, 2007). However, “a majority of Canadian foundations still have no web presence”, perhaps in an attempt to reduce the number of grant requests or to protect the privacy of the board and donors (Johnston, 2012, p.35). Narrative annual reports are another potential mechanism foundations may use for disclosure, and in the US, more foundations are producing such reports and sharing them publicly (Hammack and Anheier, 2013). Certain Canadian foundations are also becoming active on social media and publishing regular blogs and e-newsletters to give insight into their work. As Johnston (2012, p.36) recommends to Canadian foundations: “If a foundation doesn’t define itself in today’s ‘open source’ world of hyper information, it will be defined by others. So it is good practice to take the initiative and to make key information available in the form that you choose”.

Information Sharing via Intermediaries

The recent increase in information about foundations and their grantmaking has come about not just because of the actions of individual foundations, but also because of information intermediaries (Hammack and Anheier, 2013). In Canada, there are several
intermediaries that provide public information about grantmaking foundations, though not nearly as many as in the US, including third party charity rating sites, nonprofit sector-led self-regulatory bodies, networks of foundations and media. Each is treated in turn.

Third party charity ratings

The nonprofit sector has seen “the rise of a variety of third party information intermediaries that not only provide improved visualizations of the public regulator’s data but also have developed their own standards on which they independently rate charities” (Phillips, 2013, p.883). In Canada, “there have been very few entrepreneurial, self-declared charity watchdogs as exist in the US (Sidel, 2005) and elsewhere” (Phillips, 2013, p.901). One rating site, however, Charity Intelligence, has received considerable attention from the media despite its relatively small size and limited measurement criteria. Its criteria include several cost ratios, such as the percentage of fundraising of overall expenses, and the “social results reporting” criteria is limited to an assessment of how much information is provided by the charity about its activities rather than a judgement of a charity’s achievements (Charity Intelligence, n.d.).

Some community foundations are included in the Charity Intelligence ratings, such as the Yellowknife, Saskatoon and Victoria foundations. However, research has yet to demonstrate anything but neutral or slight effects of ratings on public opinion of individual charities. “Sloan (2009) found that positive ratings have a slight positive effect on contributions, but bad ratings have no effect at all, while Szper and Prakash (2011) found no effects on donor decisions of either good or poor ratings. One reason is that the information that is required to be disclosed is mainly related to financial inputs, while the primary concerns to donors are program content and organizational reputation” (Phillips, 2013, p.884).

Nonprofit sector self-regulatory mechanisms

“As a means of being proactive about its own accountability, based on standards perceived to be more appropriate than those used by the rating agencies, as well as a means of staying off greater state regulation, many charitable sectors have in recent years expanded and enhanced self-regulation through a variety of certification systems” (Phillips, 2013, p.883). In Canada, Imagine Canada’s Standards Program is the most prominent sector-led effort to demonstrate accountability through voluntary certification. By becoming accredited, charities and foundations demonstrate that their practices meet Imagine Canada’s standards in areas including board governance, financial accountability and transparency and staff management (Imagine Canada, 2014). “While enhancing transparency, [the Standards Program] puts a heavy emphasis on learning through self-assessment and has the ambitious goal of creating a community of practice to work toward continuous improvement” (Phillips, 2013, p.900). To date about 100 organizations have been certified, including some community foundations, such as the Niagara and Calgary foundations.
Networks of grantmaking foundations

Knowledge exchange activity among foundations also appears to be on the rise. Two key leading networks are Philanthropic Foundations of Canada and Community Foundations of Canada, both of which regularly host conferences and knowledge building initiatives as well as publish reports and partner with researchers to increase information relevant to the foundation sector.

Other examples of foundation networks that produce reports and other information related to Canadian foundations include the Circle on Philanthropy and Aboriginal Peoples in Canada and the Canadian Environmental Grantmakers Network (CEGN). The CEGN hosts sub-collaborative such as the Water Funders’ Group, whose goal is to “maximize the impact of philanthropic resources supporting fresh water protection in Canada by facilitating shared learning and collaboration” (CEGN, n.d.).

Media

There has been little research on coverage of foundations by the Canadian media. However, in the last few years, certain foundations and charities have received attention from the newsmedia questioning their practices. The medium-term results of such scrutiny are yet to be determined. For the most part, perhaps related to the tradition of philanthropic foundations operating quietly without self-promotion, foundations appear to fly under the radar of newsmedia.

Foundations and Evaluation

The “evaluation function in philanthropy … is a fairly recent phenomenon” in North America that began in the 1970s with the first dedicated efforts in some foundations to measure results and learn from activities (Coffman et al., 2013, p.36). In the 1990s, there was a significant increase in interest in evaluation among American foundations that accompanied the growth of the number of foundations (Patrizi and McMullan, 1999, cited in Coffman et al., 2013) and which likely helped to raise awareness and interest among foundations north of the border.

One of the ten key principles for community foundations expressed by Community Foundations of Canada (2005, p.9) is that “we will evaluate our activities to improve our skills and knowledge and we will share key findings with others”. Thus, evaluation is identified as supporting the purposes of learning and improving practice as well as disclosure and information sharing with stakeholders (McKinsey & Company, 2010).

It appears common for Canadian foundations to conduct informal internal assessment of their performance, though likely far fewer use external evaluators to review the success (Northcott and Uytterhagen, 2002). In the US, the Centre for Effective Philanthropy created a tool, Grantee Perception Reports, to survey grantees’ about foundations’ practice. “Many foundations not only discuss these reports with their boards and staffs,
but also make them available on their websites” (Hammack and Anheier, 2013, p.137). The majority of evaluation resources are focused on assessing the outcomes of individual grants and initiatives (Coffman et al., 2013), and some foundations share evaluative accounts of their grant initiatives via their websites (Hammack and Anheier, 2013). More broad-scope evaluation to assess the impact of a foundation as a whole is much rare and more challenging because of the complexity (Coffman et al., 2013). Frumkin (2006, p.57) has noted that, “in the absence of good measurement of goal achievement and effectiveness, many donors turn to measures of the quality of their grantmaking process and emphasize their transparency, clarity of purpose, and accountability”. However, Community Foundations of Canada does recommend that “foundations should look at their own activities as well as those of their grantees. It is important for foundations to routinely evaluate their funding programs by examining results against objectives” (Community Foundations of Canada, 2005, p.55).

Mechanisms and issues related to grantee evaluation are discussed later in this paper in the section on Grantmaking Reporting.

Foundations often have a privileged vantage point. Through their relationships with grantees and other stakeholders, foundations are able to see the progress and challenges of many organizations and projects at once, often within specific fields. A US study found that “only 27 percent of grantmakers reported that they share information about challenges and lessons learned with others in their field. Other aspects of reporting, such as information about a project’s progress, future plans, collaborations, and assessment, are shared less frequently” (Bearman, 2008, p.14).

More foundations, however, appear to be realizing the value of this knowledge and seek to share it for the advancement of the field as a whole. For example, “community foundations are paying more attention to dissemination and utilization strategies, so that good projects may serve as models to other organizations,” a strategy that both promotes the adaptation of successful program models and “provides the foundation with a greater return on its investment of grant funds” (Community Foundations of Canada, 2005, p.60-61).

The Community Knowledge Exchange (CKX) spearheaded by Ontario Trillium Foundation and Community Foundations of Canada is a current effort to support foundations and other stakeholders to address questions including: “How can we turn existing data into knowledge to drive change?” and “How do we know we’re making a difference, together?” which includes exploring shared measurement of impacts of funded initiatives (CKX, 2014).

**Performance and Impact Measurement**

Performance measurement and reporting refers to what a foundation does and achieves - its outputs and outcomes. In some jurisdictions such as the UK, charity reporting on performance is growing (Connolly and Hyndman, 2004), in part because of changes in regulations requiring such reporting. Some scholars suggest that regulators should require charities, including foundations, to report regularly on their outputs and
outcomes (Cordery and Morgan, 2013), though it does not appear that this will occur in the near future in Canada. Nevertheless, “good quality performance information has been argued to be useful both to improve organisational performance and to discharge accountability to external stakeholders” (Connolly, Dhanani and Hyndman, 2013).

Many foundations want to know more about their impact on beneficiaries, communities, society and systems. This interest is strongly linked “in the last decade with the rise of strategic philanthropy, in which foundations seek to achieve their clearly defined goals, pursue those goals in collaboration with grantees, and then track their success in achieving them (Brest, 2012; Patrizi & Thompson, 2011)” (Coffman et al, 2013, p.37). Measuring impact requires that foundations look beyond program evaluation and assessing the success of individual grants to new methods that can be applied to their long-term goals (Coffman et al., 2013).

There are few standards or common approaches to reporting on social impacts. “Although many foundations value collaboration and synergy in theory, grantmaking and reporting processes make it very hard for them to work together in practice… the inconsistency of … metrics makes it very difficult for funders to share with each other data about grantee performance, changes within a field, or their own progress” (Bearman, 2008, p.19).

Nevertheless, there is increasing interest among larger Canadian foundations to explore how to measure impacts across a field. Blair Dimock, Vice President of Ontario Trillium Foundation (OTF), remarks that: “one of the most important issues for funders and grantees is to develop common and shared ways of measuring our results” (personal communication, February 20, 2015). OTF is currently undertaking likely the most extensive impact measurement initiative of any Canadian grantmaker, using indicators drawn from the Canadian Index of Wellbeing (CIW). CIW was originally developed by a funders’ alliance including some the Atkinson, McConnell and Lawson foundations. This tool has defined common indicators across communities, including statistical measures, “in order to offer clear, valid and regular reporting on progress toward wellbeing goals and outcomes Canadians seek as a nation” (CIW, 2015). The measures cover areas including living standards, community vitality and democratic engagement. In its new grantmaking framework, OTF will support initiatives that will contribute to the foundation’s intended impacts which are in line with and can be measured by the CIW (Blair Dimock, personal communication, February 20, 2015). The CIW Community Wellbeing Surveys has also been applied by the Community Foundations of Canada in partnership with local foundations in Kingston, Waterloo Region, and Victoria (Linda McKessock, personal communication, January 19, 2015).

**Trend towards Open Data**

A broad trend towards public digital data sharing is influencing many stakeholders in the nonprofit sector including grant-making foundations, but publishing and use of open data is still in its early stages. Open data is that which is available “under an open license, in
a convenient and modifiable form, machine-readable, with little or no cost associated with its use” (Van Ymeren, 2015, p.3).

The Mowat Foundation’s 2015 report on open data in the Canadian nonprofit sector identifies four broad data priorities:

- administrative data “about the size and scope of the not-for-profit sector”;
- programmatic data “about programs and services available to the public” to help “communicate trends around access and service gaps” and “help organizations in the sector understand what other organizations are doing”;
- baseline data with indicators and demographic information related to areas such as “the environment, incarceration, education outcomes and literacy levels, and community health”;
- impact data to help build “an evidence base around what works” (Van Ymeren, 2015, p.8).

An example of increased administrative data provision and access is the effort being made by the Canada Revenue Agency. From 2014 to 2020, CRA’s information technology systems will be “redesigned to allow charities to apply for registration and file their annual information returns online” as well as increase public web to access “data on charitable giving trends and characteristics in Canada” (CRA, 2014a).

The Toronto Foundation’s recent commitment to opening up the data used for its annual Vital Signs Report is an example of a grantmaking foundation increasing the provision of baseline data. This report “provides a wide array of resources to the [nonprofit] sector, including sections on demographics, health and wellness, the gap between the rich and poor, housing, leadership and civic engagement, and work. By doing so, the Vital Signs Report enables data use by Toronto-based [nonprofits], and presents opportunities to apply this open data to identify trends and address issues in a range of areas” (Van Ymeren, 2015, p.14).

However, even as more data becomes available, it is important to remember that, “for [nonprofits], taking better advantage of data is not just a conversation about ‘access’. The challenge for the [nonprofit] sector is how to use, package and share information in a way that supports and strengthens the sector’s ability to deliver on its mission and inform public policy” (Van Ymeren, 2015, p.7). An example of a Canadian initiative to improve the searchability and usability of such information is PoweredbyData, whose mission is to help “stakeholders collect and publish transactional, contextual and impact data about the non-profit sector that is open and interoperable” (PoweredbyData, 2015). The Sector Landscape tool was launched in 2014 containing grants and contributions data from certain federal departments, the Ontario Trillium Foundation, and one participating private foundation. The initiative aims to “show funders the importance and value of their grantmaking data — this information is manually gathered from multiple sources, and it only becomes truly useful when it can be gathered and presented together,” positing that “if funders can share their grant-making data in a standard way, then tools like this can be easily built and the sector as a whole benefits” (PoweredbyData, 2014).
Grantmaking Reporting

Grantmaking reporting refers to information requests and disclosure between foundations and grantees and information about grants shared with other stakeholders.

In addition to being suppliers of information about their work, grantmaking foundations are usually also in a demand role, requiring information from their grantees both before and after grants are approved. Some foundations undertake only their own charitable programs. However, by definition grantmaking foundations rely in part or in whole on the charities to which they give in order to reach their goals. Therefore, the results of the initiatives to which foundations donate make up a large part of their social impact (Johnston, 2012); and evaluation and reporting related to grantmaking is of great importance. There appears to be a growth in this area as “many of today’s foundations are providing more information about selected aspects of their grantmaking, both to discharge their obligation to the public and to enhance their influence” (Hammack and Anheier, 2013, p.136).

Although “grantmaking practices vary tremendously from one foundation to another” (Johnston, 2012), there are two key periods in which grantees and grantmakers usually share information: before and after a grant has been accorded.

Information Exchanged during Grant Application Process

One of the key phases during which grantmaking foundations request information from charity partners is during the relationship-building and grant request process. An Australian study on foundations’ application and selection processes found that, in general, “information sought divides into two categories: factual information about organizational status, income, staffing and so on; and ‘speculative’ information, in particular about outcomes, evaluation and sustainability” of the applicant organization or its proposed project (Leat, 2007, p.39).

The most common types of financial and nonfinancial information sought by foundations include (Community Foundations of Canada, 2005; Huang and Hooper, 2011; Johnston, 2012; Leat, 2007):

- Organization’s coordinates
- Charitable registration number
- Project description (title, goals, plan of action, duration)
- Project budget and amount requested from the foundation
- Signature by a person with such authority at the organization
- Organizational documents (list of board members, financial statements)

Many foundations also require additional information, such as organizational mandate, description of the organization’s structure and staffing, background and rationale for the project, project expected impacts and reach, how the foundation will be recognized,
evaluation plans, annual report and letters of support from other partners (Community Foundations of Canada, 2005; Huang and Hooper, 2011; Johnston, 2012; Leat, 2007).

Foundations can also offer information to potential grantees and the public about their granting priorities, deadlines, eligibility to receive a donation, and the types of activities such as program, operations, project or capital grants that are supported or which activities are excluded from consideration (Community Foundations of Canada, 2005; Johnston, 2012). Foundations may or may not provide information about their application and selection procedures, and this information may be offered publicly or only upon request. There appears to be a great range of disclosure at this stage of the grantmaking process from highly private to very public and detailed information. Some foundations may even promote their calls for proposal widely (Community Foundations of Canada, 2005).

Some foundations also engage in back-and-forth dialogue with applicant organizations, to discuss potential initiatives or to help them better make the case in their formal request (Johnston, 2012), though this opportunity for discussion and exchange may not be promoted publicly (Leat, 2007).

**Issues related to the Application and Selection Process**

How do foundations make decisions about which organizations and initiatives to support? There is growing complexity in grantmakers’ role in society and their decision-making environment (Leat, 2007). It has been posited that, in the face of a complex external environment, “foundations ‘simplify’ their task by engaging in a form of auditing of potential grant recipients. In order to overcome the fact that for new projects, and for new small organisations, there is little to look back on, foundations combine past ‘audits’ (accounts, annual reports, and so on) with a form of ‘advance auditing” to assess the potential success of an organization seeking funds (Leat, 2007, p.48). There are a number of challenges noted in the literature related to how foundations make granting decisions.

**Transparency of application process and selection criteria**

A study on Australian foundations found that only about one third provided detailed selection criteria to potential grantees. A search for online information about smaller Canadian foundations will similarly reveal that many of them do not have a web presence, likely because of the lack of paid staff, and do not publish information about the application process or selection criteria. Indeed, it is important to realize that foundations “formulate grant-making policies and priorities in a situation in which demand for funds far outstrips supply” (Leat, 2007, p.33). Public application processes solicit requests that may be beyond the capacity of a foundation to manage let alone fulfill with grant funds (Bearman, 2008). Concretizing criteria or rendering them public may also make it more difficult for foundations to fund newly emerging priorities; therefore, many may choose to maintain internal or flexible selection processes.
Nevertheless, there is a trend to make these processes more transparent among Canadian foundations. Community Foundations of Canada (2005, p.27) urges community foundations to publish written guidelines to help them “make grantmaking decisions that are consistent, inclusive and fair”. Similarly, PFC’s grantmaking guide recommends transparency because “publishing the specific criteria that a foundation uses to assess grant applications will help charities understand the goals of the foundation” and helps “reduce the number of ineligible and inappropriate requests that a foundation receives” (Johnston, 2012, p.13).

Assessment criteria and grant selection

Leat’s (2007, p.41) study found that published grantmaking criteria generally fall into five groups:

- “fit with the foundation’s goals/mission;
- impacts and effectiveness;
- evaluation;
- management and planning;
- value for money”.

However, selection is rarely a scientific process. While many foundations make decisions based on grantees’ past outcomes or expected outcomes for the new initiative (Huang and Hooper, 2011), some researchers have found that a common factor in grantmakers’ decisions about which grantees to support is their confidence in the people leading the applicant organization. Thus, some foundations “consider people to be more important than structures and processes” (Anheier and Leat, 2006, cited in Huang and Hooper, 2011, p.429).

PFC’s guide states that “every foundation should attempt to define, articulate, and communicate its own particular style and philosophy” to “make the task of grantmaking that much easier” (Johnston, 2012, p.12). Even with articulated criteria, some foundations “apply their own procedures and criteria flexibly” (Leat, 2007, p.50); for example, in response to emerging opportunities or changes in the field. “But there are two problems with flexibility. One is that it can take the foundation back to indecision and discomfort. Another is that to grant seekers, flexible procedures and criteria may look like inconsistency, favouritism and unfairness” (Leat, 2007, p.50). This challenged is echoed in the results of a US survey of tens of thousands of grantees. The survey found that three key elements influencing the strength of a foundation-grantee relationship are related to consistency and transparency: “fairness of treatment by foundation, clarity of communication of a foundation’s goals and strategy, and consistency of information provided by different communications” (Buteau, Buchanan and Chu, 2010, p.4).

Emphasis on new projects or innovation

Some foundations prefer to support new projects only and in response many organizations invest great effort into creatively framing their proposals to appear new or innovative. In the US, “the most commonly cited effect of the foundation funding system
is that nonprofits continually reinvent their programs—at least on paper—in response to foundations' preference for the 'new and different,' and reluctance to pay core operating support” (Bearman, 2008, p.15).

CFC’s Grantmaking Toolkit indicates that some community foundations are rethinking their preference for new projects only: “While [innovation] continues to be vitally important work, grantmakers are also acknowledging the value of supporting existing programs that work. Part of this debate has to do with building organizational capacity, and supporting effective organizations to do their community work rather than forcing them into ongoing quests to do something different. But the other part of the debate centres on expanding our definitions of ‘innovation’ to encompass the creative process of adapting a program used in one locale or with one organization, for use in or by another” (Community Foundations of Canada, 2005, p.60).

Predicting and planning the future: Speculative questions on applications

Another key challenge related to the “advance auditing” process involved in grant applications and selection is that they rely on performance expectations for the future. For example, many foundations ask that grant applicants indicate their expected outcomes although they do not necessarily require a post-grant detailed evaluation of those outcomes; this application question therefore may be used more as “an indication of applicant thoughtfulness” and capacity to plan than as a measurable criteria (Leat, 2007, p.40).

Similarly, a common question to be answered in applications is how the proposed initiative will sustain itself beyond the life of the grant. Leat (2007) found that, while many foundations ask the question, they tend to use responses selectively, knowing the context in which nonprofit operate. As one foundation employee described: “Sustainability is the toughest question because the bottom line is that non-profits don’t know. We continue asking it because we want to be seen to be responsible – we don’t want to be seen to be throwing money away on things that aren’t sustainable” (quoted in Leat, 2007, p.39).

Grantee Reporting Mechanisms

Once a grant has been made, reporting is a nearly universal oversight mechanism used by foundations (Delfin and Tang, 2008). Grantmaking foundations in Canada apply a diversity of approaches to grantee reporting (Johnson, 2012; Northcott and Uytterhagen, 2002). “At a minimum, most foundations require basic financial information as a form of accountability” (Johnson, 2012, p.37). Many also require reports on the activities or outcomes for which a grant was used. Reporting elements can include:

- narrative progress and end-of-project reports;
- testimonials and success stories;
- external evaluations of the project or program;
- financial reports;
- audited financial statements for the project or organization.
In addition, some Canadian foundations conduct site visits, discuss projects mid-term, and have grantees make presentations to staff or board as part of monitoring (Community Foundations of Canada, 2005; Johnston, 2012; Northcott and Uytterhagen, 2002). The CFC *Grantmaking Toolkit* suggests that foundations “do not have to evaluate every grant. The foundation should distinguish between its need for basic financial reporting (e.g. for capital equipment), and its interest in deeper analysis (e.g. the outcomes of a demonstration project)”; evaluation requirements “can range from ‘no evaluation required’ to ‘ongoing follow-up’ or ‘interim/final evaluation report(s) required’” (Community Foundations of Canada, 2005, p.56).

**Grantee Financial Reporting**

As noted by PFC in its grantmaking guide, requiring financial information from grantees is the most basic form of accountability: “As stewards of its financial assets, a foundation’s staff and Board must demonstrate that grant recipients used the grant funds prudently and in pursuit of the charitable purposes and the specific activities agreed by the foundation” (Johnston, 2012, p.37).

There are a number of financial oversight mechanisms that foundations use in making grants to other organizations. Among the most common of these are requiring financial statements or even a detailed audit of a grantee’s finances and releasing grant fund contingent on the grantee’s performance or other conditions (Delfin and Tang, 2008). Special reports prepared by Chartered Professional Accountants could give a degree of assurance for specific purposes (CPA Canada, 2015).

Interestingly, some researchers have found that foundations deal with financial reporting by grantees as a box to be checked rather than a valuable transfer of knowledge. “Accounting measures are a common basis to performance reporting. Yet, in Huang and Hooper’s (2011) study of philanthropic funders, it was stated that financial information was of limited use in choosing which [organizations] to fund or to discharge accountability” (Cordery and Sinclair, 2013).

**Grantee Narrative and Outcome Reporting**

There are two key types of narrative reporting in grantmaking: descriptive reporting, such as success stories, testimonials and descriptions of activities and outputs, and evaluation and performance measurement that asesses the results of activities (Carman, 2009, p.384). Such non-financial information about how an organization has fulfilled its goals and what benefits it provided to the community has been found to be more important to philanthropic funders than financial reports (Huang and Hooper, 2011).

Carman’s (2009, p.387) study of evaluation practices found that nonprofits and funders were “still focused on monitoring and descriptive reporting, with few resources being dedicated to evaluation”. In recent years, however, there has been an increase in the
evaluation requirements that foundations are attaching to their grants (Carman, 2009; Maclndoe and Barman, 2012). Nonprofits' performance reporting practices are strongly influenced by funders (Dhanani and Connolly, 2012) such that nonprofits receiving funds from foundations are more likely to adopt outcomes measurement and budget more resources for results-focused evaluation (Maclndoe and Barman, 2012).

Evaluation is promotion by networks of Canadian foundations as part of good practice in grantmaking. The grantmaking guides of both Philanthropic Foundations of Canada (Johnston, 2012) and Community Foundations of Canada promote evaluation for improvement: “evaluation is about learning, for both the grant recipient and the foundation. It helps build capacity and effectiveness by learning from experience” (Community Foundations of Canada, 2005, p.54).

**Examples of Challenges in Grantmaking Reporting and Evaluation**

Many challenges could be mentioned regarding grantmaking reporting and evaluation. The following examples are provided to illustrate the challenges.

**Power and control**

Reporting relationships are not power-neutral. Because foundations provide financial resources, they can assert the right to oversight. As one scholar on philanthropy has noted, “grants can look like contracts and services for hire, especially when the letter that accompanies the check specifies a series of conditions attached to the receipt of the funds... Under such circumstances, it is indeed plausible to say the real accountability burden in the world of philanthropy lies not directly with the donors, but with the organizations that propose to carry out certain activities in order to receive philanthropic support” (Frumkin, 2006, p.79). The performance management and measurement of results required by foundations have also been criticized for adopting business processes for the nonprofit sector and for exerting too much control over grantees' activities (Chamberland et al, 2012).

**Diversity of reporting requirements**

In order to be sustainable, many nonprofits seek to diversify their revenue sources, however having multiple funders, including foundations, often results in the challenging task of providing tailored reports for each one (Tierney and Steele, 2011). There are no standard reporting or evaluation formats, because “foundations strive to increase their own impact, in part through specialized application and reporting practices ... Compounding the problem is philanthropy’s diversity of purpose and operations, which makes standardizing practices across foundations highly difficult. As the saying goes, ‘If you’ve seen one foundation, you’ve seen one foundation’” (Bearman, 2008, p.4).

In the US, a number of foundation networks created “Project Streamline” to explore and address the challenge of multiple and diverse information requirements placed on grantees and grantseekers. One product of this effort was the *Grantmaker Assessment Tool*, an online method for foundations to compare their application and reporting
process to other funders and understand the cost of these processes for both the foundation and its grantees (Grant Managers Network and Center for Effective Grantmaking, 2012). There have also been attempts in the US to create common forms for grant applications and reporting that multiple funders in a funding area or geographical area could accept. However, in one large survey of foundations, only one-third allowed such common forms to be used in their grantmaking processes, and far fewer required them (Bearman, 2008). Foundations found common forms to be either too bulky with irrelevant questions or not robust enough requiring additional questions to get at the information they sought from grantees (Bearman, 2008).

In Canada, there has been discussion of the use of common reporting for multiple funders supporting the same initiative; however, the extent of take up of this approach would require further investigation.

A Canadian social purpose firm, GrantBook, supports grantmakers to employ cloud-based technologies to facilitate grantmaking processes including reporting. Anil Patel of GrantBook points out that common applications and reporting systems are not likely a realistic goal, as no other sector or industry uses such a “one only” solution. Instead, digital tools now give foundations the opportunity to develop their own systems that are tailored but also interoperable, that is, allowing data to be easily shared and distinct parts of information systems to speak to each other (Anil Patel, personal communication, March 25, 2015). Thus, the choice of grantee reporting systems impacts foundations’ ability to “liberate” grantmaking data and share it with other foundations and stakeholders.

Sharing the reporting and evaluation responsibility

The unique requirements of each foundation, however, can be a burden for nonprofits to manage. A study of information flows between American foundations and grantees found that they are characterized by an “effectiveness paradox”: “Foundations strive to increase their own impact, in part through specialized application and reporting practices. Many feel that they cannot be responsible stewards of philanthropy’s resources without requiring significant and customized information from nonprofit organizations. But these individualistic practices—multiplied by thousands of grantmakers—place a heavy burden on organizations seeking funding and hamper their ability to be efficient with time and ultimately effective in their missions.” (Bearman, 2008, p.4)

Some studies find that foundations are not adequately aware of the challenges their requirements place on grantees (Bearman, 2008) while others found that foundations “recognized that [for their grantees] tracking outcomes over time was challenging to begin with, and nearly impossible without providing specific resources for doing so” (Carman, 2009, p.385).

PFC’s grantmaking guide promotes evaluation as “a collaborative and mutual process” shared by the foundation and grantee (Johnston, 2012, p.44). Both PFC and CFC
suggest that evaluation processes “should be reasonable and realistic” (Community Foundations of Canada, 2005, p.59), and that grantmakers must be aware of and offset the costs of evaluation (Community Foundations of Canada, 2005; Johnston, 2012).

Foundations’ use of grantee reporting information

A Canadian study found that “many funders collect data only for accountability purposes, rather than learning, and, like [nonprofits], lack the skills and capacity to make good use of it (Hall et al., 2003)” (cited in Lenczner and Phillips, 2012, p.14). Recent UK and US research similarly discovered that funders do not necessarily read performance reports submitted by organizations but that they view the act of producing such a report as fulfilling an accountability need (Bearman, 2008; Connolly and Hyndman, 2013a). While some foundations are interested in what an organization has learned in the course of implementing a particular initiative (Huang and Hooper, 2011), for many, just knowing that a grantee is capable of conducting an evaluation or producing an activity report may be enough.

Although “measurement is perhaps the single most powerful tool that nonprofits and their donors can use to get better together, it’s rarely deployed to that end” (Tierney and Steele, 2011, p.21). A survey of more than 24,000 grantees conducted by the Center for Effective Philanthropy in the US found that:

- “On average, grantees do not find current reporting and evaluation processes to be very helpful in strengthening their organizations and programs.
- Strong relationships between grantees and their funders are central to helpful reporting and evaluation processes.
- Grantees who report discussing their report or evaluation with their funder perceive the reporting or evaluation process to be more helpful — yet nearly half of grantees say no discussion occurred.” (Buteau and Chu, 2011, p.1)

Both CFC and PFC recommend in their grantmaking guides that Canadian foundations should approach evaluation in collaboration with grantees and that the ultimate use “should be to improve operational and program effectiveness through learning—whether of the charity receiving the grant, the foundation providing the funds or both” (Johnston, 2012, p.43).

Shareable and Public Grant Databases

For what and to whom are foundations making grants in Canada? Making such data open and shareable would greatly advance the information available to build knowledge and efficiencies in the nonprofit sector, for nonprofits, public agencies and other stakeholders as well as foundations: “Connected datasets allow funders to address a wide range of questions: the impact of their grants, how they fit into the funding landscape of a locale, or how best to leverage other funders. With a clearer picture of the revenues and financing mixes of its recipients, funders are empowered to make better decisions” (Lenczner and Phillips, 2012, p.14). Ajah’s Fundtracker database that uses T3010 and other online data is one effort that
has been made to gather and render usable large amounts of information about fund flows to charities. In order to create more such tools, “the producers of data about the nonprofit sector need to collect and publish their data in ways that facilitate reuse” (Lenczner and Phillips, 2012, p.15).

One key to making grants information more accessible and useful is developing a common typology of granting areas. Hilary Pearson of Philanthropic Foundations of Canada points out that “currently the terms to describe funding areas are not comparable across foundations” (personal communication, February 19, 2015). Some efforts are being made to develop and improve such typologies. In their recent review of grantmakers, Imagine Canada and Philanthropic Foundations of Canada used 12 broad funding areas to track the sectors to which foundations give, including Arts and Culture, Health, Education and International activities (Imagine Canada and Philanthropic Foundations of Canada, 2014). Ajah (2015) has developed a similar typology for its searchable database Fundtracker, refined to several sub-categories in each grant type, such as Cultural Institutions, Artist Grants and Arts Education within Arts and Culture. (See Appendix A for lists of these grant typologies)

An even more refined typology and searchable tool has been developed by the Canadian Environmental Grantmakers Network (CEGN) that includes not only 15 environmental issue areas but also 12 strategies of action taken by grantees (CEGN, 2014). (See Appendix A for CEGN’s grant typology) With this online tool, “the public can view aggregate data, such as the total dollars given to support specific issues and the total percentages of dollars distributed to each of the provinces/territories across Canada, as well as information as to the funders which are supporting particular issues and strategies. CEGN members have access to more detailed information on the grantmaking activities of other funders and particular issues of interest through the Members’ section of CEGN’s website.” (CEGN, 2014, p.3)

This Canadian effort has also influenced tracking of environmental grantmaking by funder networks in other countries. CEGN works international grantmaker alliances “to ensure the same methodology is adopted to categorize and code grants. Any changes to the coding system, such as the exclusion of an issue or the addition of new definitions were discussed ... The consistency in the coding system will allow accurate comparisons to be made between the countries and help identify grantmaking trends over time... together our databases provide an increasingly comprehensive picture of national and international environmental grantmaking” (CEGN, 2014, p.4).

There are a number of other initiatives internationally to codify grantmaking for information sharing. In the UK, the 360 Giving Data Standard “allows grants to be compared more easily, and can help visualize and tell stories about granting over time” (360Giving Standard, 2014, cited by Van Ymeren, 2015, p.10). In 2012, The Foundation Center in the US “announced the Reporting Commitment to open, shareable, commonly-coded grants. This commitment by 15 of the nation’s largest foundations marks a breakthrough in gathering grants data in a shared and rapidly available form” (Bernholz,
CONCLUSION AND QUESTIONS FOR FUTURE EXPLORATION

As Johnston (2012, p.47) points out, “philanthropy and foundations will be playing an increasingly active role in shaping Canadian society over the next few years. Inevitably, this means that foundations will be subject to more public scrutiny of their impact and effectiveness”. At the same time, many foundations are motivated to improve their positive impacts on society and the environment and seek to exchange information and knowledge about their practice and the public good they aim to support.

With the pressures from the environment and desires of grant-making foundations, information flows are evolving and a number of questions arise.

- What is the nature of accountability in foundations?
- What are the stakeholders roles regarding accountability of foundations?
- What is the information flows between stakeholders regarding foundations’ activities?
- How is narrative reporting done regarding foundations’ activities?
- Which form of reporting are the most important to stakeholders by foundations?
- What are the information needs of stakeholders dealing with foundations?
- How useful is the information available regarding foundations?
- How satisfied are stakeholders regarding information available?
- Which types of information are the most important to report by foundations?
- Is there any gap between information provided and needs of stakeholders?
- What is the level of understanding and financial literacy of stakeholders?
- How accurate is tax reporting for foundations?
- What are the motivations for compliance or non-compliance in foundation reporting?
- What is the level of quality in information transfers for stakeholders dealing with foundations?
- Which accounting standards are used by foundations in Canada to prepare their financial statements?
- What are the education needs of stakeholders in term of reporting of foundations activities?
- Should we envision using those new mechanisms of reporting?
- Is there a need to adopt standards on reporting? If yes, who should take a leadership role in developing those standards (ex: typology of grants)?
- How can digital tools be better used to improve information sharing by foundations?
- What capacities do foundations possess to support increased information sharing, and what are the gaps in skills and capacities?
- What resources and supports are most useful for foundations seeking to increase transparency?
This paper has attempted to briefly describe the key information flow and reporting issues related to grant-making foundations in Canada. This review reveals that there are both push and pull factors related to improving information exchanges by and about grantmaking foundations. With information being public vs private or mandatory vs voluntary, numerous challenges are ahead.

From our analysis, many challenges appear and are related to accountability, transparency, comparability, availability, transparency, privacy, learning and performance issues. Even with better standards in reporting in the future, question about the understandability of information transfers is questionable. Financial literacy and education programs and tools are probably needed. Lack of research in a Canadian context dealing with grantmaking foundation and information and reporting issues are apparent. Answering questions will help to fill the knowledge gap.

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Cluster 2 – Emerging Information and Reporting Issues for Grantmaking Foundations


Cluster 2 – Emerging Information and Reporting Issues for Grantmaking Foundations


APPENDIX A: GRANT TYPOLOGIES

The following are some of the most prominent typologies developed to categorize grants made by foundations in Canada.

### Imagine Canada & Philanthropic Foundations of Canada (2014)

#### Funding areas

- Arts & Culture
- Development & Housing
- Education & Research
- Environment
- Government
- Grantmaking & Volunteerism
- Health
- International
- Law, Advocacy & Politics
- Religion
- Social Services
- Sports & Recreation

### Ajah Fundtracker (2015)

#### Funded activities

- Arts & Culture
- Education
- Environment
- Health
- International Development
- Public Benefit
- Religion
- Social Services
- Voluntary Sector Development

### Canadian Environmental Grantmakers Network (CEGN, 2014)

#### Issue areas

- Biodiversity & Species Preservation
- Climate & Atmosphere
- Coastal & Marine Ecosystems
- Energy
- Environment & Health
- Environment & Social Justice
- Fresh Water Ecosystems
- Sustainable Material Production & Consumption & Waste Management
- Sustainable Agriculture & Food Systems
- Terrestrial Ecosystems
- Toxics
- Trade & Finance
- Transportation
- General/Multi-use grants

#### Strategies

- Advocacy/campaign/community organizing/movement building
- Capacity building (general support)
- Communications/media/material development
- Direct activity
- Education/youth organizing
- Stewardship/acquisition/preservation
- Litigation
- Market Transformation
- Public education/awareness
- Public policy/analysis
- Research
- Other