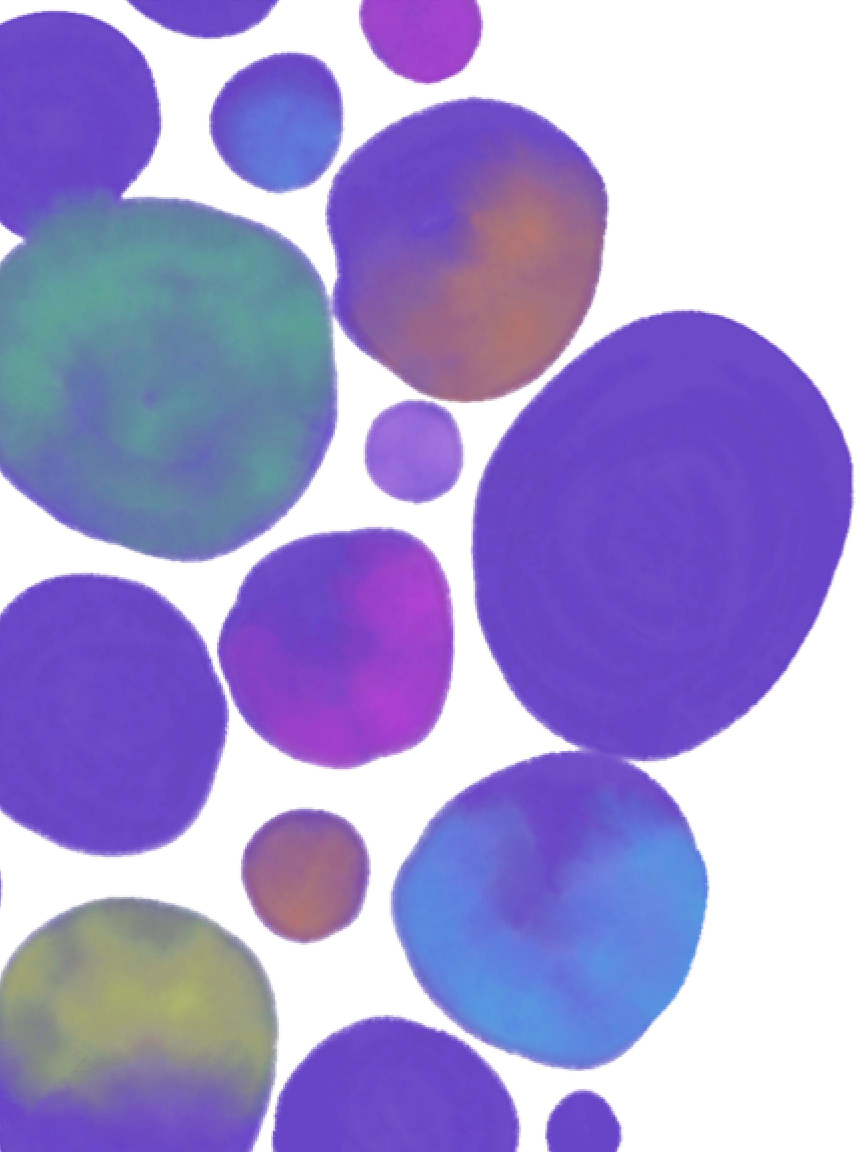
Episode #2

Money stories | PurposePhil concept book



What you'll find here

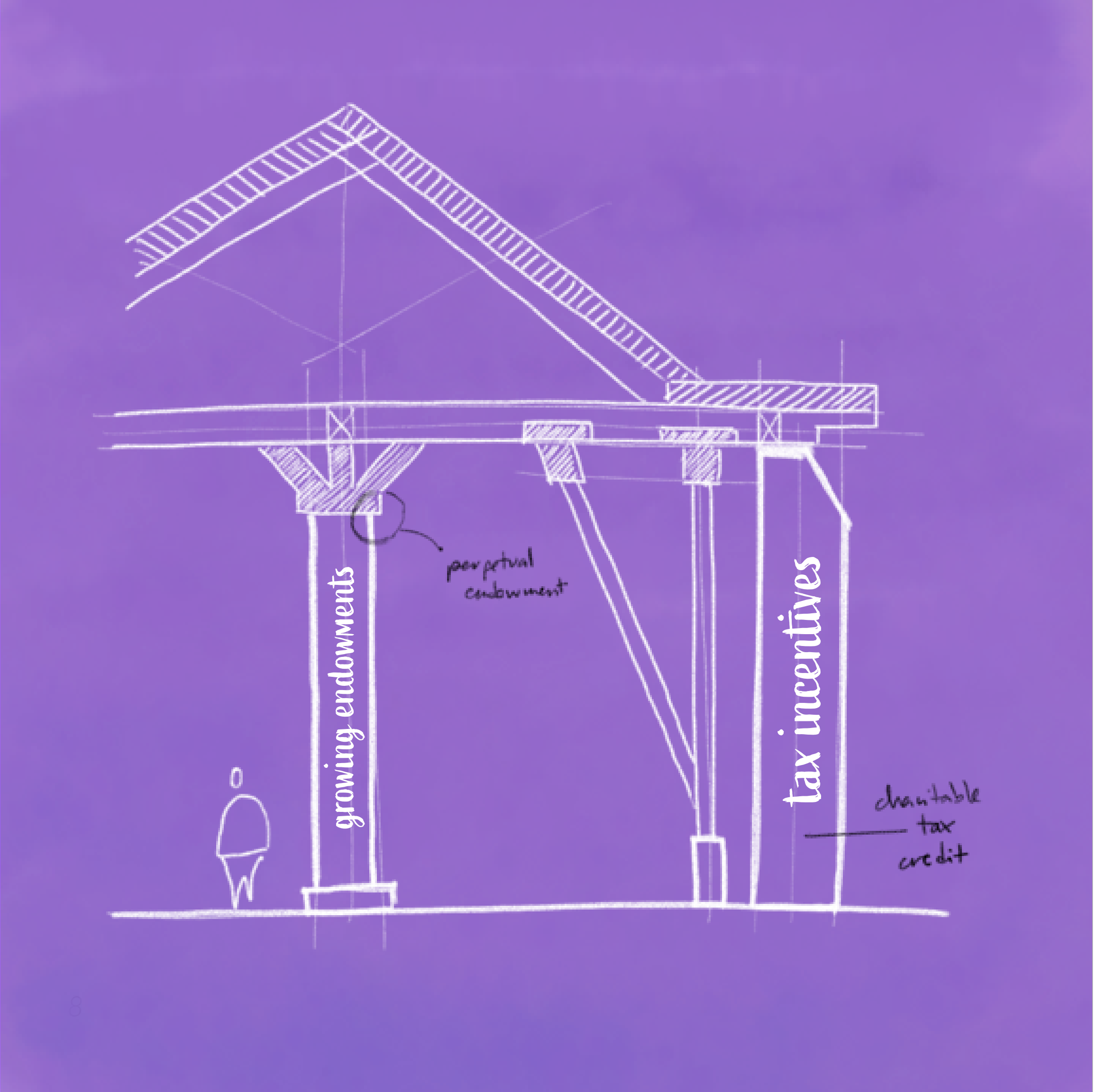
“The fundamental structures and operating models of foundations haven’t changed much over the last several decades. This is largely due to the combination of no outside force requiring them to change and few variations on the basic operating model to inspire innovation.”

Nancy Roob

President and CEO of the Edna McConnell Clark Foundation & CEO of Blue Meridian Partners

In the last module, we learned about some of the history and practices that gave rise to Western institutional philanthropy, as well as some other cultural traditions of giving.

This concept book takes a look at the structure that history has handed down to us, and tries to understand some of the implications for philanthropic purpose. What might the form philanthropy has taken tell us about its functions: as a mechanism for redistributing wealth, for blunting the impact of wealth inequality, and/or for some other purposes?



This module is called Money stories, but it could just as easily be called Structure stories. The perceived value of money in improving society for all has, in many ways, architected institutional philanthropy. Supported by tax incentives, given license to disburse funds without much democratic oversight, and permitted to perpetually grow their endowments, foundations are treated as a clear public good. Are they? When is the loss of tax revenue offset by the public value of philanthropy?

Philanthropy's critics -- be they reformers or revolutionaries -- are increasingly vocal. They raise questions about philanthropy's accountability to today's citizens, especially to those experiencing the most harm from inequality and the systems that maintain it. Many of these critics are donors themselves, deeply committed to a more socially and environmentally sustainable world.

1. What is structure?

struc·ture

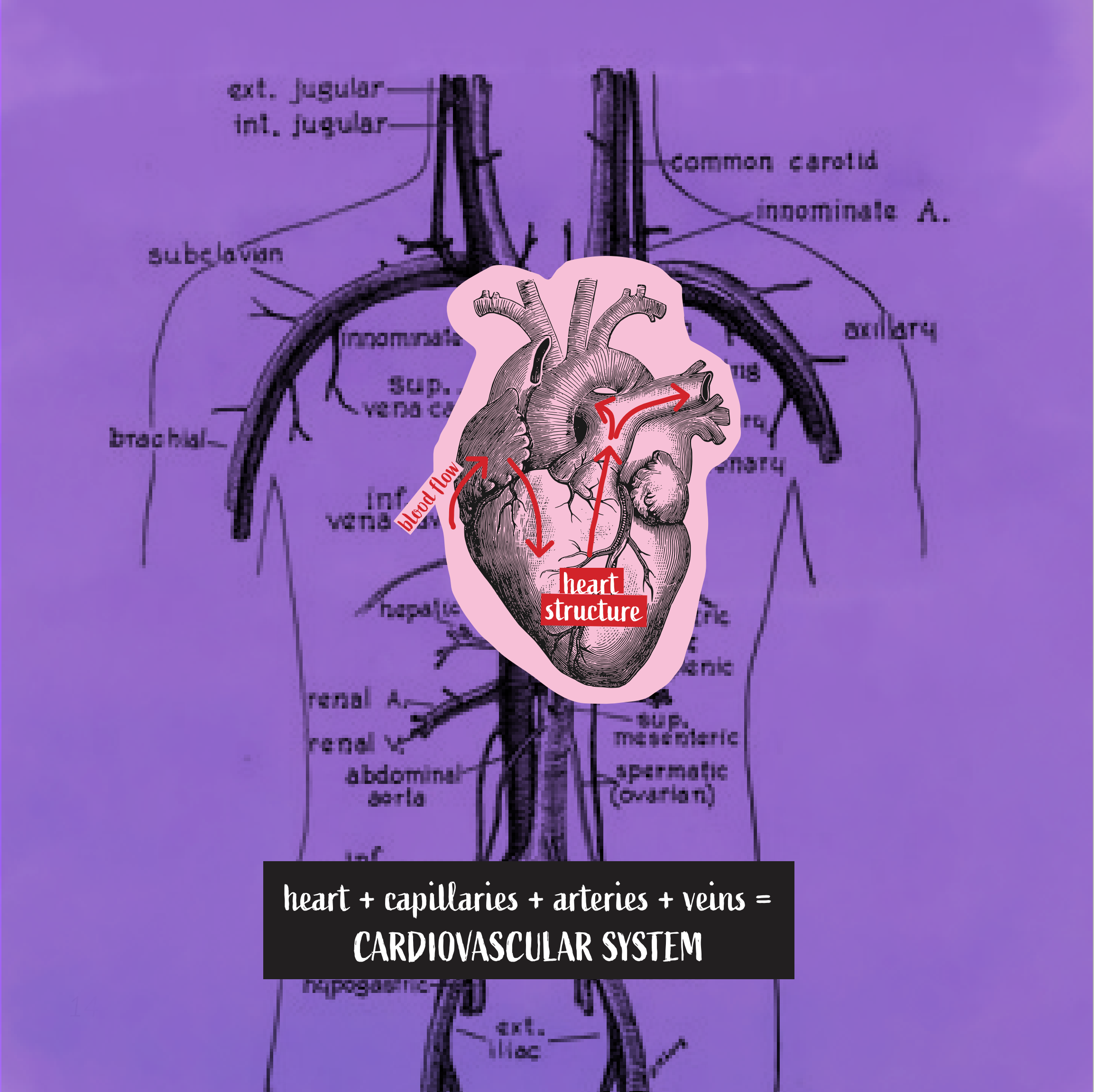
/ˈstrək(t)SHər/

the arrangement of and relations between the parts or elements of something complex.

sys·tem

/ˈsistəm/

a set of structures working together as parts of an interconnected network.



Ba-boomp. Ba-boomp. Our hearts beat thanks to a rather elegant **structure** roughly the size of a closed fist. Divided into four-chambers, the left and right atria fill with blood returning to the heart from the body and lungs, while the left and right ventricles pump blood to the lungs and body. Each of the parts of the heart works in unison, and as part of an intricately connected web of arteries, capillaries and veins that pick-up waste (carbon dioxide) and deliver nutrients (oxygen and hormones) to all parts of our body.

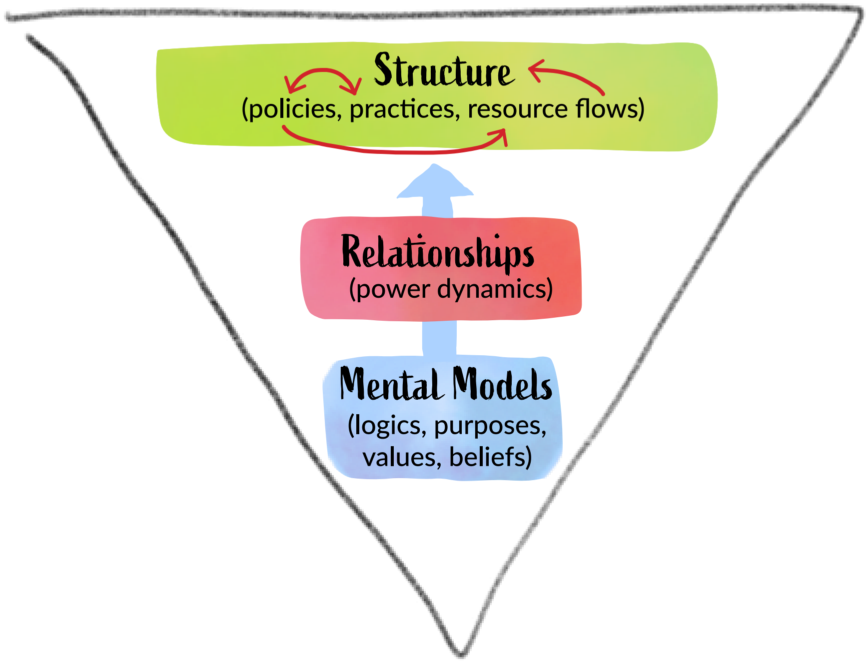
Together, the heart, capillaries, arteries, and veins make-up the **cardiovascular system**, which functions, round the clock, to maintain the body's delicate temperature and fluid balance.

The form a structure takes is related to its function

We can think of structure, then, as one building block of systems. In a system, structures are connected via relationships, and perform to an underlying logic or purpose. The form that structure takes is related to its function, to what it's meant to do and achieve. Frank Lloyd Wright, one of the West's most eminent innovators of structure, notes that, "*Form and function should be one, joined in a spiritual union.*"

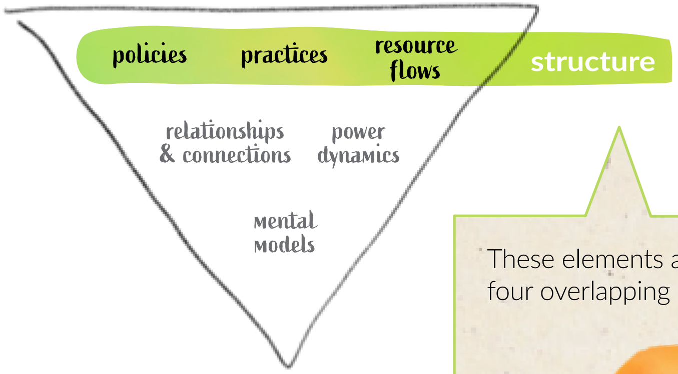
When it comes to philanthropy, do form and function operate in unison?

Conditions of systems

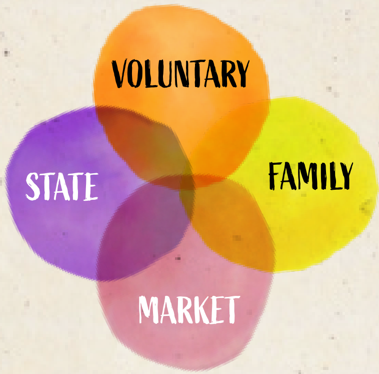


2. Mapping structure & relationships

Instead of four chambers, philanthropy is made-up of elements: policies, practices, and resource flows.



These elements are drawn from four overlapping sectors:



the VOLUNTARY sector

Registered charities Public or private foundations and non-profit organizations, with a charitable purpose as defined in common law, and registered with the Canadian Revenue Agency, who are exempt from paying income tax, can issue tax receipts for donations received, and must disburse a minimum amount of dollars each year. Charities are governed by boards of selected individuals who make decisions about the distribution of dollars.

Non-profit organizations Associations, clubs, and societies organized for social welfare, civic improvement, pleasure and recreation that are generally exempt from paying income tax, but cannot issue tax receipts.

Informal help Mutual aid, and privately organized exchange of help and resources.

Social movements Loosely organized but sustained campaigns in support of a group of people's goals.

the STATE sector

Canada Revenue Agency The institution that collects, taxes, administers tax law and policy, delivers benefit programs and tax credits for the Canadian federal government, and most provincial and territorial governments.

Representative Democracy The system of government in which citizens elect people to represent them in making decisions at different levels of policymaking.

the MARKET sector

Banking & financial institutions Corporations that provide services as intermediaries of financial markets. Foundations often operate as investment institutions, investing donor dollars for returns.

Individuals & Families

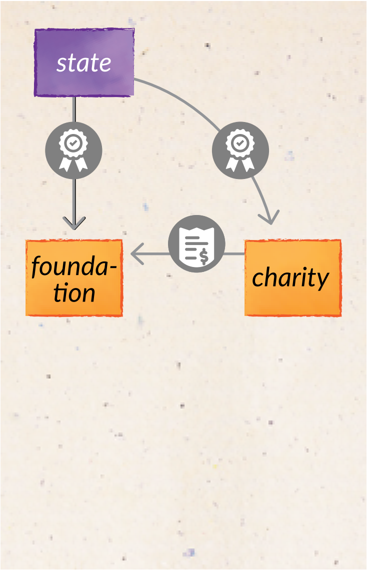
Taxpayers People who lives in Canada and contribute to, and benefit from, the tax base.

Donors Individuals and families who receive a tax subsidy when they donate to registered charities. Paying less tax reduces dollars in the shared public purse and increases dollars in independently managed charities.

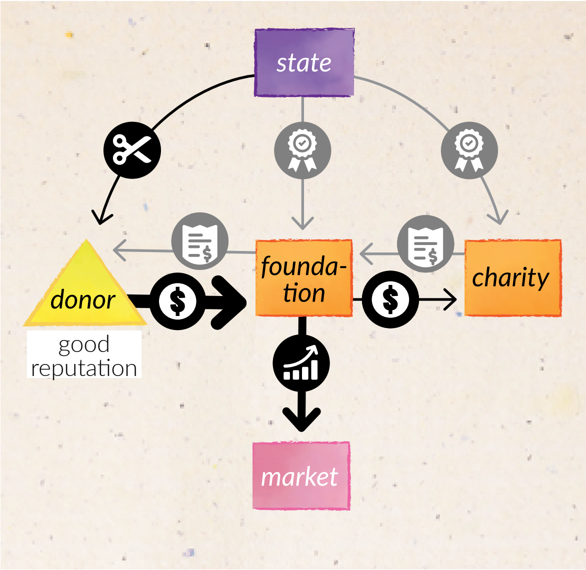
Beneficiaries Individuals and families who receive benefits and services based on income, age, needs, etc.

Marginalized communities Individuals and families left out of, poorly served by, and/or harmed by mainstream institutions.

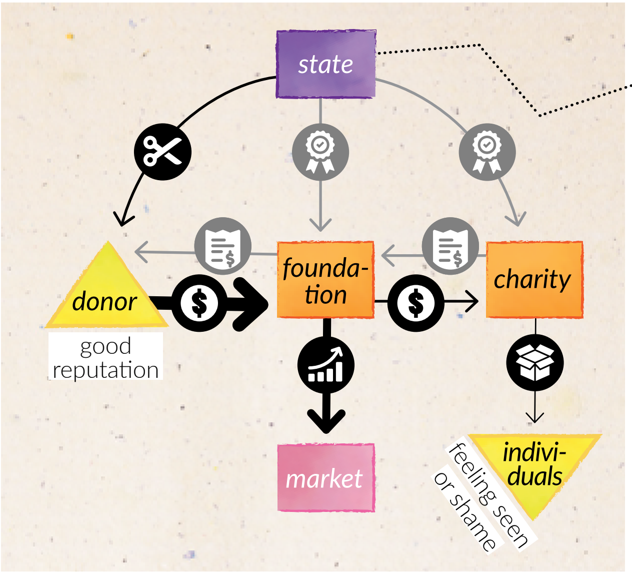
These elements are intertwined. Just like the parts of the heart are connected via arteries, capillaries, and veins, which exchange nutrients and waste products, the parts of philanthropy are connected via relationships, which exchange goods and externalities. For example:



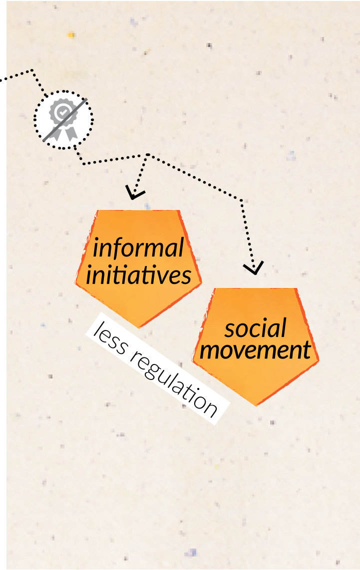
Organizations who subscribe to the definition of charitable activities receive recognition & legitimacy from the state, in exchange for issuing tax receipts.



Donors receive tax subsidies from the state in exchange for giving dollars to registered charities; they can choose to control where their dollars go. They may also receive public recognition from the charity for their gifts, which might result in a positive externality (a good reputation).



Individuals can receive material resources from charitable organizations, if they ask for or accept help, which might result in a positive externality (feeling seen) and/or a negative externality (shame).



Informal support initiatives and social movements lack legitimacy from the state, in exchange for less regulation and the opportunity for greater political engagement.

2. Mapping structure & relationships

What can be exchanged

- Legitimacy: gaining status in the eyes of the law
- Resources: giving and/or receiving money, services, space, or other goods
- Control: setting and/or following terms & conditions to receive legitimacy and resources

What externalities can accrue

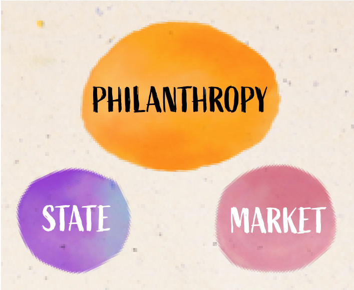
- Reputation: being perceived positively or negatively, as generous or miserly, etc.
- Recognition: feeling seen, heard, respected
- Influence: indirectly or directly shaping decisions
- Shame: feeling inadequate or less than

3. A few frames

Philanthropy's structural elements, and the relationships between them, can be seen from distinct ideological and disciplinary perspectives. There is no one way to make sense of how the parts fit together, but looking through a range of lenses can lead us to ask different questions and consider different interests. For example:

We can see philanthropy as a type of business, tied to social and political systems, where the goal might be to amass resources and bolster endowments.

Alternatively, we can see philanthropy as a sphere distinct from the state or the market, which uniquely facilitates voluntary action.



A few academic-sounding terms get used to describe some of these perspectives. We try to explain them here:

The Industrial Complex

A way of looking at organizations as businesses, and the ways in which they are entwined in social or political systems to maximize resources, create, or bolster a profit economy.

Political Economy

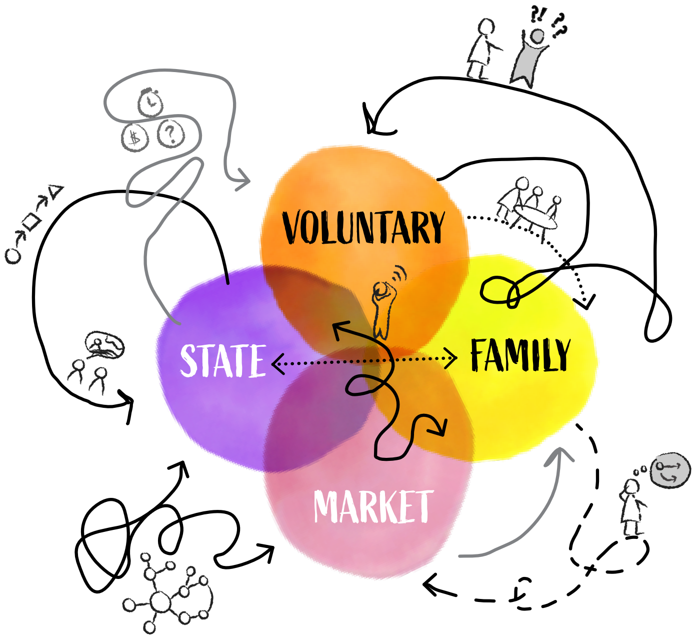
A way of looking at how the state governs, manages and distributes income and wealth, and the relationships between politics, laws, the market, and the individual.

Civil Society

A way of looking at the ways in which groups, communities, networks, norms and values tie people together, and stand between individuals and the state.

4. Relational rubs

As we probably all experience from time to time, relationships are messy and fraught. Philanthropy's many relationships are no different. There are inevitable rubs between the state, the market, the voluntary sector, and individuals.



In the podcast Money Stories, we hear from two economists, a tax specialist, a social worker with lived experience of houselessness, and a community leader, who speak to different structural elements and relational rubs.

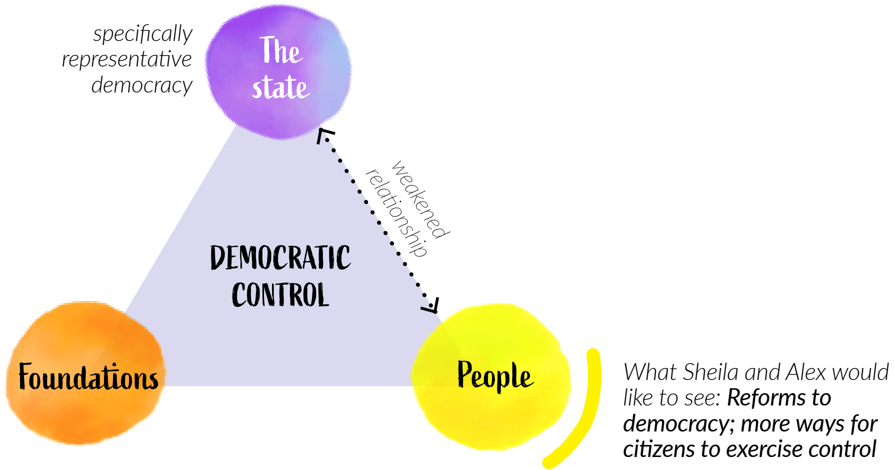
Sheila Block and Alex Hemingway talk about how philanthropy can influence the democratic relationship between the state and its citizens, keeping wealth in the market, under private versus public control.

Brigitte Alepin explores if and when philanthropy is a good deal for the average taxpayer, looking at the financial relationship between donors, the state, and its residents.

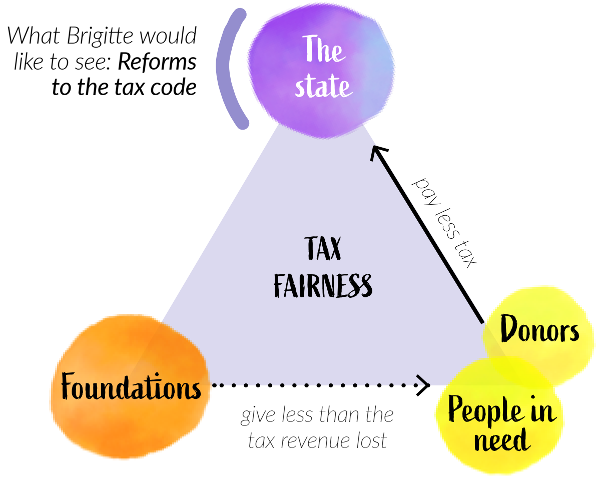
Ceema Samimi questions the assumption that charitable organizations inherently represent the interests of marginalized individuals, sharing a story of how the managerial relationship between philanthropy and charity can directly impact lives.

Liban Abokor argues that philanthropy can be an instrument to strengthen values-led relationships between donors and minority communities, in ways that majority-run democracies have consistently failed to do.

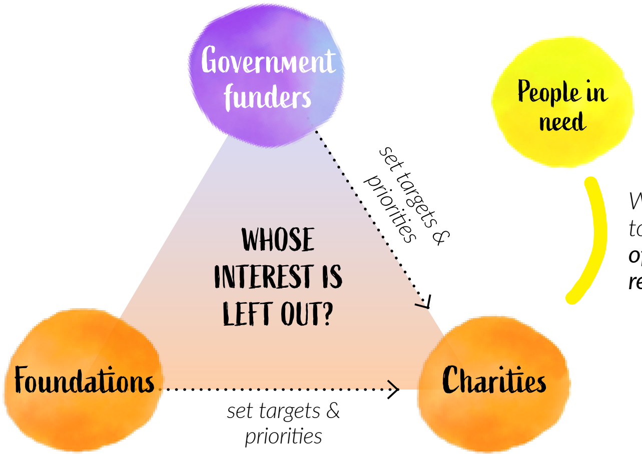
Sheila Block and Alex Hemingway from the Canadian Centre for Policy Alternatives look at how philanthropy, especially big philanthropy, can weaken the connection between the state and individual citizens. They are concerned about democratic control. Because a big proportion of donations come from donors' taxable income, Sheila understands big philanthropy to be a tax loophole. Alex raises the concern that we are failing to tackle the wicked problems of our day because we are not pooling our resources effectively. Alex would prefer to see democratic reforms strengthen our ability to address the issues we care most about, equitably and collectively.



Tax Specialist **Brigitte Alepin** argues that our tax code has a bias that incentivizes the stockpiling of philanthropic funds, even though history shows us that each generation produces & gives plenty of its own wealth. Whether surplus income is taxed or donated to philanthropy, Brigitte believes that all Canadian taxpayers have a claim on the use of those funds to improve quality of life today. She uses concepts like tax efficiency to determine the minimum disbursement rate necessary to pay back Canadians for what they've given up in tax revenue, and advocates that all income on investments should be spent to tackle the social issues of the day.

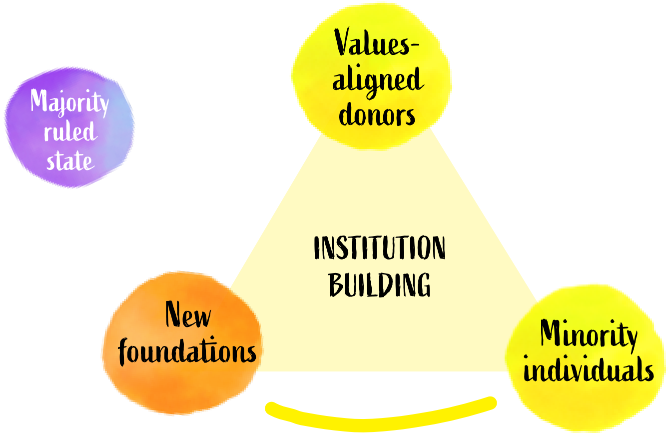


Professor **Ceema Samimi** tells us a story about how foundations, government funders, and charities can be so focused on maximizing resources that they can (inadvertently) devalue the informal relationships necessary to shift power and change lives. Samimi uses the term “Non-profit Industrial Complex” to refer to the relational knot that exists between government, foundations, registered charities, and a wealthy class of donors. This term is part of a larger critique of how philanthropic structures preserve institutional power and limit social transformation. See the ‘Annotated Bibliography’ to dig deeper into this concept.



What Ceema would like to see: ***the re-imagining of risk and re-valuing of relationships***

Liban Abokor of the newly established Foundation for Black Communities (FBC) sees potential in philanthropic structures to create change for marginalized and oppressed communities. Whereas both the state and traditional philanthropy have failed to address the needs and interests of minority groups, FBC is able to attract those donors who do recognize or share in the interests of Black communities. From Abokor’s perspective, there is nothing inherently problematic in the structure of philanthropy. Its limitations and oversights can be addressed through participatory decision-making within minority communities.



What Liban would like to see:
Wealth-building institutions for and by minority communities

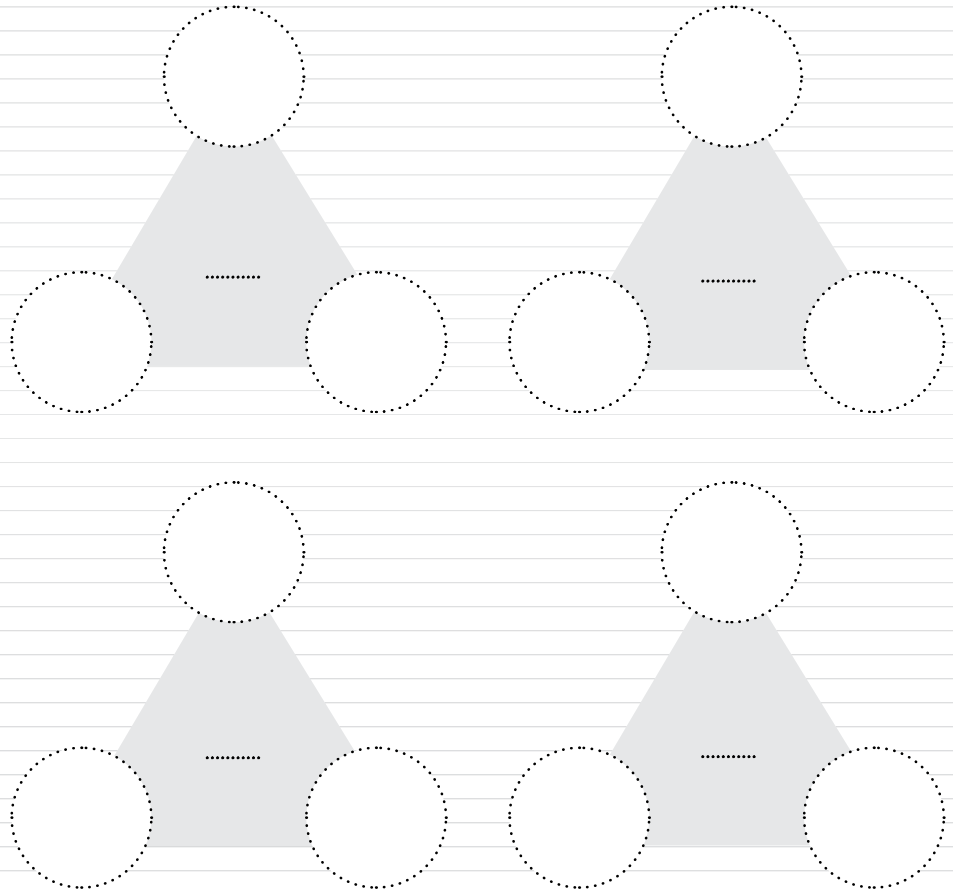
Now, it's your turn.

What do you hear when you listen to Sheila, Alex, Brigitte, Ceema, and Liban?

Try mapping the relationships between different actors.

How would you show points of tension and intervention?

VOLUNTARY FAMILY STATE MARKET



5. Dictionary of philanthropic concepts & practices

Dictionary

Philanthropic concepts & practices

Charitable tax credit

In Canada, up to 75 percent of a taxpayer's net income can be claimed as donations. The Charitable Donations Tax Credit can be up to 33 percent of the amount donated at the federal level. Donors are also entitled to an additional amount up to 24 percent of their donation depending on the province of residence.

Reference:
Government of Canada website

Disbursement quota

The disbursement quota is the minimum amount a registered charity (typically a private or public foundation) is required to spend each year on its own charitable activities, or on gifts to qualified donees. The disbursement quota calculation is based on the value of a charity's property not used for charitable activities or administration.

Reference:
Government of Canada website

Donor advised funds

A donor-advised fund is like a charitable investment account, for the sole purpose of supporting charitable organizations donors care about. When donors contribute cash, securities or other assets to a donor-advised fund at a public foundation or charity, they are eligible to take an immediate tax credit. Then those funds can be invested for tax-free growth and donors can recommend grants to their preferred registered charities.

Reference: Imagine Canada

Non-profit industrial complex

The non-profit industrial complex (or the NPIC) is a system of relationships between:

- *the state (including local and federal governments)*
- *the owning classes*
- *foundations*
- *charities & non-profits*

This can result in the surveillance, control, derailment, and everyday management of social and political movements, which are not recognized by the state, and therefore unable to receive tax-deductible dollars from charities.

Reference: Incite! The Revolution Will Not Be Funded: beyond the non-profit industrial complex.

Dictionary

Philanthropic concepts & practices

Perpetuity

A perpetual fund, referred to as an endowment, is one in which the capital is kept intact and only the income, or a portion of it, is used annually for charitable purposes. The big idea behind perpetually held funds is to provide steady, long term support to charitable causes, regardless of changes in government funding and the vagaries of the free market.

References:
The End of Endowments? By M. Burrows in The Philanthropist, Feb 18, 2010.
Investing in Perpetuity: Why the Endowment Fund Model Works. Vancouver Foundation, June 2018.

Qualified donee

including registered charities

A qualified donee is an organization that can issue official donation receipts. This includes registered municipalities, registered ametuer athletic associations, and registered charities, amongst others, who must direct their activities towards one of four charitable purposes: (1) the relief of poverty, (2) the advancement of education, (3) the advancement of religion, or (4) other purposes beneficial to the community and recognized by case law.

Reference:
www.canadiancharitylaw.ca

Spend down

A "spend-down" approach expends the capital in a given fund within a defined period of time. With estate gifts the timetable is built upfront. For example, the fund may pay out in equal installments over ten years.

Reference: Spend-down Charitable Funds in All About Estates, by M. Burrows, Nov 5, 2017.

Tax efficiency

The idea is that tax credits have a cost. That is, they reduce government revenue, and therefore shift the tax burden to other taxpayers. When philanthropic spending in a year is equivalent to the tax revenue lost from credits that year, efficiency is reached.

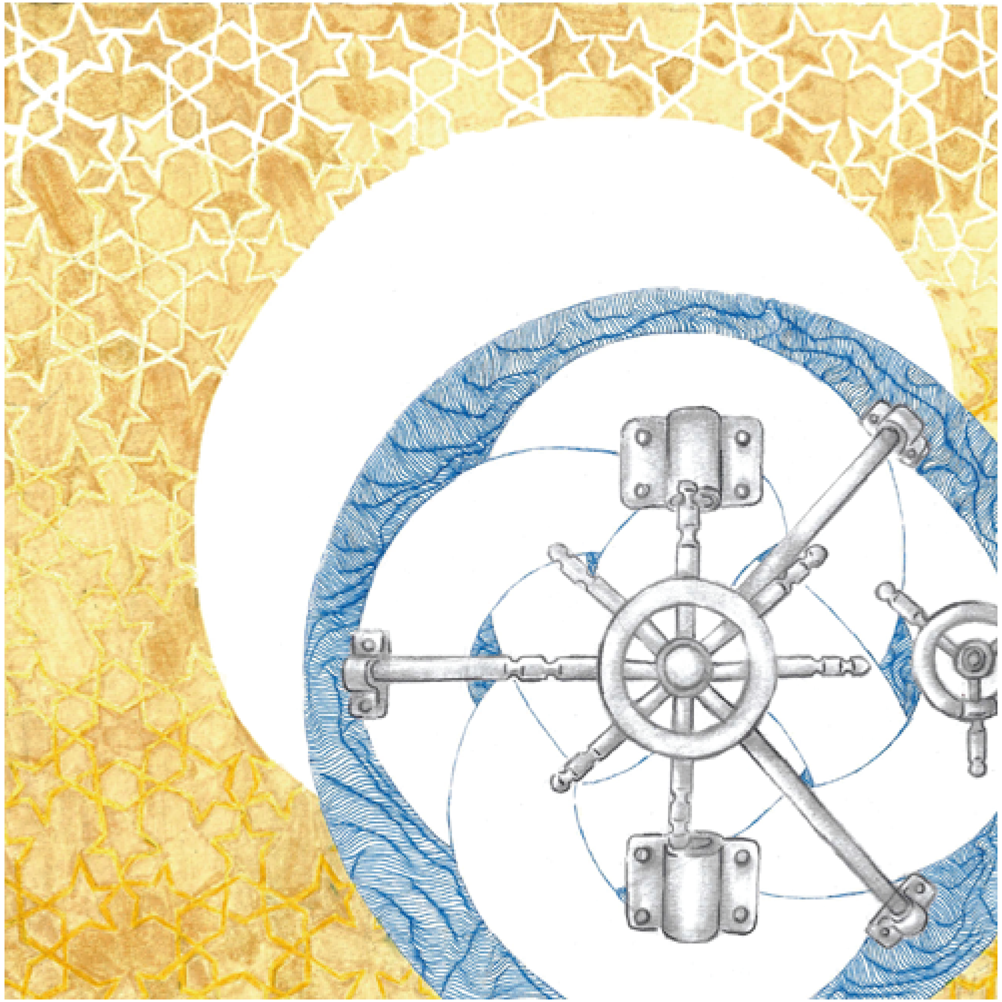
Reference: The Case for Providing Tax Concessions for Philanthropy, published by the OECD, 2020.

5. Artists' reflections

Episode #2: Money stories

Episode cover by Kyla Yin James

My cover illustration speaks to the theme of structure, how structures are built through relations. Bonsai trees are an example of something from nature that humans prune to fit their own needs. As such bonsai trees draw parallels to the nonprofit industry. Giving is a part of human nature but the industry is formed by structures imposed on this part of our nature. Portraying hands instead of leaves on the tree illustrates how interconnected each person is -- bonded through something both grown through relations and adjusted based on outside influences.



Episode #2: Money stories

Piece by Rawan Hassan

Exploring the themes of intention and outcome, this artwork showcases the disconnect between the culture around charity work and the non-profit industrial complex. Inspired by Ceema Samimi's story of cut out paper stars, the star patterned background represents the good intentions behind charity work, along with the culture developed through community orientated work. While at the forefront (the outcome) the knot represents the tight loop of the non-profit industrial complex, and how reliant the donor, foundation, charity and client relationship is with one another. The vault lock on top symbolizes how controlled the stream of money is within the system.

6. Reflection questions

REFLECTIONS
Looking Inside

Experiences & Observations

1. How might you map your relationship(s) to philanthropy? Which structures do you engage with, in what ways, and how do you benefit, or not?

Reactions & Impressions

2. Which structural elements and relational rubs feel most and least surprising, most and least uncomfortable, most and least significant to you? Where do you bristle the most?

Questions & Hunches to Test

3. Which structural elements, relational rubs, and lenses would you like to better understand? Who could you talk to, or where could you go to learn more?

REFLECTIONS
Looking Outside

Experiences & Observations

4. If you had to map the philanthropic landscape in Canada, what are some of the different structures (policies, practices, and resource flows) you've encountered, or heard about? Which are barriers and/or enablers for change?

Reactions & Impressions

5. How do different structural elements and relational rubs show up within community foundations? In what ways are community foundations unique, and in what ways do they mirror the wider philanthropic landscape?

Questions & Hunches to Test

6. Which structural elements are considered fixed, and which are considered changeable, within VF and the wider philanthropic landscape? Why might that be? What perspectives can history offer?

Money stories / PurposePhil

Concept Book / Episode #2

Produced in partnership between:

vancouver foundation

IN WITH FORWARD