RESEARCH PAPER: CHANGE IN COMMUNITY FOUNDATION DISBURSEMENT QUOTA

ECON 4316 – Topics in Regulation and Public Enterprise

Abstract

Examining the impact of the 2009 change in disbursement quota for Canadian community foundations, while considering the potential impact of a change in disbursement quota in 2022.

Kevin Parsons

3138123

Introduction

In 2019 the Special Senate Committee on the Charitable Sector released a report titled "Catalyst for Change: A Roadmap to a Stronger Charitable Sector" Recommendation 36 included that the Government of Canada should "direct the Advisory Committee on the Charitable Sector to study the disbursement quota for registered charities."[1] A change to the disbursement quota primarily affects charitable foundations, which includes community foundations. Since the report was released, there has been private consultation and an open submission process regarding this issue, with the Government potentially changing the regulation as early as 2022.

From the submissions that have been made public, along with public reaction to them, there are proponents for raising the minimum disbursement quota that all foundations much adhere to (annual, as a percentage of assets) to 10% or higher. This would be a significant increase from the current 3.5% and would create a significant change in the business model of foundations, as well as their long-term viability. In turn, this raises questions about the overall charitable sector of Canada, as well as foundations' role within it.

The last time that the disbursement quota was changed was in 2008, taking effect in the fiscal period starting on January 1, 2009. At that time the disbursement quota was lowered from 4.5% to 3.5%, which is still the rate today.[2] Using community foundation tax return data from 2000 to 2019 made available by the Canada Revenue Agency this paper examines the impact of the 2009 disbursement quota reduction on community foundations. Using the same data, a sensitivity analysis is conducted with various potential disbursement quotas to approximate the effect they would have had over that period.

---

[1] The report can be downloaded at: www.sencanada.ca/en/committees/CSSB/42-1

[2] See Theresa L. M. Man's "Charity Law Bulletin No. 150: Calculation of 3.5% Disbursement Quota for all Registered Charities" (2008) found at https://www.carters.ca/pub/bulletin/charity/2008/chylb150.htm

Based the research presented in this paper, a change to the disbursement quota influences the amount that community foundations disburse on an annual basis. Further, if the disbursement quota had been 10% during the period studied, there would have been approximately $1.43billion additional funds disbursed, holding all other factors equal. However, the assets of the community foundations studied would have been approximately $1.44billion less in 2019 than the actual, and additionally there would have been 9 fewer community foundations, representing an 8.82% reduction.

These findings imply that while more funds would be disbursed into the community in the short term, the long-term outlook for the continuity of community foundations would be in question. Not only that, but since it is more likely to be smaller community foundations which spend down their assets sooner, the charitable power of community foundations will be concentrated in larger urban centres.

Background

In Canada the non-profit sector accounts for 8.5 percent of Canada's GDP, an estimated $169.2 billion in 2017, and employed nearly 2.4 million people[3]. Non-profits, and specifically charities, can be viewed as a 'third sector,' providing services that the private and public sectors either can't or won't.

Charitable foundations are a unique sub-category of charity, providing more funding flexibility, while contributing to the sustainability of the overall charitable sector. The most basic difference between a charitable foundation and a more common registered charity. Usually, a charity will spend all or nearly-all the funds that it takes in during the year, while a foundation will receive donations and disburse the funds to other registered charities, often over a longer period. Among other things, this stabilizes funding to the charitable sector.

[3] https://www150.statcan.gc.ca/n1/daily-quotidien/190305/cg-a004-eng.htm

Since foundations (and specifically community foundations) comprise such a small proportion of the non-profit sector in Canada, with about 11,000 foundations out of over 86,000 registered non-profits,[4] their "voice" throughout the consultation is similarly overshadowed. With nearly all of funding from foundations being directed to registered non-profits, it is in the non-profits' best interest to advocate for as high of a disbursement quota as possible. Similarly, if the Government of Canada were to change regulation to require foundations to distribute significantly more funds every year, it can be seen as addressing the gap in funding to non-profits without actually spending any government funds.

Community foundations are unique in and of themselves because rather than being donated to and directed by a relatively small number of individuals (e.g., a private foundation) or existing for the sole benefit of an institution (e.g., a hospital foundation), a community foundation supports projects and programs, and provides leadership within its specific community. Additionally, the governance of a community foundation is comprised of community members for finite terms, ensuring different perspectives are incorporated.

For a long time, community foundations have focused on building what the industry calls "endowments"[5], which are funds held in trust and typically invested in income-producing assets. The income earned from the investments is then disbursed to charitable organizations and community projects, used to pay for the administration of the foundation and reinvested in the market to control for inflation. This model is predicated on the idea that a donation to a community foundation will not only continue to support the community into perpetuity, but also maintain its purchasing power against inflation, ensuring that the financial impact of the donation does not diminish over time.

[4] Found at https://pfc.ca/resources/canadian-foundation-facts/

[5] Described by Wayne Stewart, former Executive Director of the Calgary Foundation in "Endowment Funds and the Community Foundation" found at https://thephilanthropist.ca/original-pdfs/Philanthropist-12-1-118.pdf

All foundations, including community foundations, are subject to maintaining a minimum disbursement quota, which is currently set at 3.5% of assets annually, based on the average amount of assets the previous 24 months[6]. However, following the Report of the Special Senate Committee on the Charitable Sector in 2019, the current Canadian government has been conducting consultation regarding raising the disbursement quota and will potentially being doing so as early as 2022.

Within the charitable sector there has been various opinions and positions about to what extent the disbursement quota should be raised, with some even questioning if the community foundations should continue to focus on endowment building going forward. With some organizations publicly advocating for a disbursement quota of at least 10%[7], which when accounting for cost of administration (1%) and safeguarding the funds against inflation (reinvesting 2%) means that community foundations will have to make a minimum average return of 13% annually to maintain current asset levels.

Ongoing Dialogue

The public consultation process has raised questions about the nature of community foundations and if there should be fundamental changes going forward. Increasing the disbursement quota would mean more money for the charitable sector in the long run, too high of a percentage would erode the capital of community foundations, eventually risking their sustainability.

Since the government announced its call for submissions on the issue, there have been several positions from national charitable organizations made public. Additionally, there have been commentary

[6] https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/annual-spending-requirement-disbursement-quota/disbursement-quota-calculation.html
[7] Further explored in the Ongoing Dialogue section.

from other observers about the merits and risks of increasing the disbursement quota. Included are a selected summary of the ongoing discussion.[8]

Community Foundations of Canada

Community Foundations of Canada (CFC) is the membership organization for Canada's community foundations, which includes 191 members[9]. They submitted a position paper titled "Rebooting Philanthropy: A Partner in Transforming Canada" (2021)[10] during the government's consultation period.

In their submission, CFC suggests several regulatory changes that would overhaul the charitable sector that would make it easier for foundations to fund causes directly, rather than charitable organizations working in those areas. The also state that there should be a "significant" increase in the disbursement quota, presenting 10% annually as a possibility.

One portion of the report calls on rethinking the idea that community foundations should endeavor to exist in perpetuity, but rather set a target date to spend-down their funds by. This is the antithesis of the current operation of community foundations, and raises questions regarding the actual motivations of CFC, who claims to speak for all community foundations.

The report says that their suggestions were, "informed by consultations with community foundations, partners, as well as constituencies and communities historically excluded from public policy processes."[11] It is important to note that the sources of consultation have not been made public and

[8] A note about the overviews presented: During the time this paper was written, there was ongoing public discourse about the recommended changes to the disbursement quota. Efforts were made to reflect the current positions of all mentioned parties, but there could be a case where there have been further developments at the time of reading.
[9] https://communityfoundations.ca/find-a-community-foundation/
[10] Found at https://communityfoundations.ca/boosting-charitable-spending/
[11] Page 3 of the report.

that the community foundation members did not have an opportunity to provide feedback or ratify the submission.

Philanthropic Foundations Canada

The Philanthropic Foundations Canada (PFC) is a "member association of Canadian grantmakers, including private and public foundations, charities and corporations."[12] Many of their members or organizations that the disbursement quota regulation is also applied to.

Through PFC's consultation process, their submission to the government can be summarized as a need to have a "regulatory framework for their philanthropic sector that advances generosity and equity, fosters more impact investing and allows for long-term engagement as well as shorter term action."[13] Regarding the disbursement quota specifically, they support an increase from 3.5% to 5%.

PFC's focus is on an overhaul of the entire philanthropic (charitable) industry, recognizing that a singular focus on more funding into the current system is too simplistic of an approach. There are several changes that can be made to modernize philanthropy in Canada.

Equitable Recovery Collective

The Equitable Recovery Collective is a group of charitable entities which were formed in 2020 in response to the COVID-19 pandemic's impact on the nonprofit and charitable sectors. Both CFC and PFC were signatories on the submission to the government, and the submission had many similarities to both, but also offers context. For example, it recognizes that, "Many foundations regularly grant over and above the DQ, and many have increased their granting even further during the pandemic."[14]

---

[12] https://pfc.ca/about/
[13] https://pfc.ca/pfcs-position-on-the-disbursement-quota/
[14] "Consultations by Finance Canada Boosting Charitable Spending in Our Communities"; Submission by the Equitable Recovery Collective (September 30, 2021)

Policy Options Magazine

An article in Policy Options Magazine, written by Hilary Pearson from October 5, 2021, titled "The federal government should not overhaul charity rules during a pandemic"[15] argues specifically that "a major increase could hurt charities sustainability." Her position is, "The policy answer to a real problem of insufficient and unequally distributed financial resources for charities is not to increase their disbursement quotas."

A summary of Ms. Pearson's rationale is that the implying that foundations are systemically wealth hording is incorrect. Her reasoning is that most foundations invest conservatively to preserve capital and other than a few outliers are not seeing outsized gains, while at the same time the majority of foundations are currently disbursing more than the minimum. The article concludes that the long-term stability that foundations bring to their communities is worth preserving and "in updating and modernizing regulations for the charitable sector, we must consider evidence and design policy for the long term."

Regulatory Analysis

Overview and Methodology

With the current discussion regarding the disbursement quota (DQ) and what impact it will have on the disbursement activities of community foundations, we can look to the last time that the DQ was changed in 2009. In late 2008 during the Great Financial Crisis, the Canadian Government lowered the DQ, which was 4.5% at the time, to 3.5%, to take effect in 2009[16].

---

[15] Found at https://policyoptions.irpp.org/magazines/october-2021/the-federal-government-should-not-overhaul-charity-rules-during-a-pandemic/

[16] Reference material: CHARITY LAW BULLETIN No. 150: Calculation of 3.5% Disbursement Quota for All Registered Charities; December 18, 2008; Editor: Terrance S. Carter

The data used is from the T3010 form[17], which is the tax return form that all charities (including foundations) must submit to the Canada Revenue Agency (CRA) annually. The information was sourced directly from the Charities Directorate department of the CRA[18]. All financial amounts are inflation adjusted and stated in 2018 Canadian dollars, calculated using the Statistics Canada Consumer Price Index[19].

There are 104 community foundations that operated from 2000 to 2019, inclusive. Of those, two of the foundations operate under the same charitable tax number therefore were treated as one data point for this study. An additional foundation had not submitted their 2019 tax T3010 and was excluded from the analysis. Therefore, the number of community foundations included in the analysis is 102, unless otherwise stated.

More notes about the treatment of data can be found in Appendix 1.

Effect of Regulation – 2009

Using the group of 102 community foundations, the following regression was run with the intention on determining if the disbursement quota is a relevant variable to community foundation's fund disbursement each year:

$$disbursements = \beta_0 + \beta_1 disbursementquota + \beta_2 netassets + \beta_3 netassetchange + u$$

Testing H_0: The disbursement quota is not correlated to actual disbursement amount.

The included variables were calculated in the following ways:

disbursementquota: By using the CRA guideline for calculating the disbursement quota, which is, "the average value of a registered charity's property **not** used directly in charitable activities or

[17] https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t3010.html
[18] Request processed on November 2, 2021, with information up to date as of September 30, 2021.
[19] Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted. Found at https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501

administration during the 24 months before the beginning of the fiscal year."[20] Following this guideline the below equation was used.

$$disbursementquota_0 = \frac{disbursementrate_0}{(netassets_{-1} + netassets_{-2})/2}$$

netassets: Using the asset and liability information from the T3010 form.

$$netassets = assets - liabilities$$

netassetchange: Subtracting the last year's assets from the current year's assets.

$$netasssetchange_0 = netassets_0 - netassets_{-1}$$

The regression was run using 3003 observations from the 102 community foundations, producing the following results:

	Estimate	Std. Error	t value	Pr(>|t|)	Significance Level
(Intercept)	-5.012e5	2.139e5	-2.343	0.01919	0.01
disbursementquota	1.422e7	5.494e6	2.588	0.00969	0.001
netassets	5.500e-2	2.952e-4	186.294	~0	0
netassetchange	-3.892e-2	1.899e-3	-20.492	~0	0

Residual standard error: 1443000 on 2999 degrees of freedom
Multiple R-squared: 0.9331, Adjusted R-squared: 0.933
F-statistic: 1.394e+04 on 3 and 2999 DF, p-value: < 2.2e-16

Data source: Canada Revenue Agency T3010 annual returns

The results indicate that the disbursement quota is correlated to the actual disbursement amounts of community foundations, therefore rejecting the null hypothesis. This shows with relative certainty that most community foundations have historically and are currently following the disbursement quota regulations.

With the correlation established, the next step was to estimate the effect of the change in regulation in 2009. This was done by taking the weighted average disbursement rate of all community foundations in the study, along with the average amount of the disbursement in 2018 dollars.

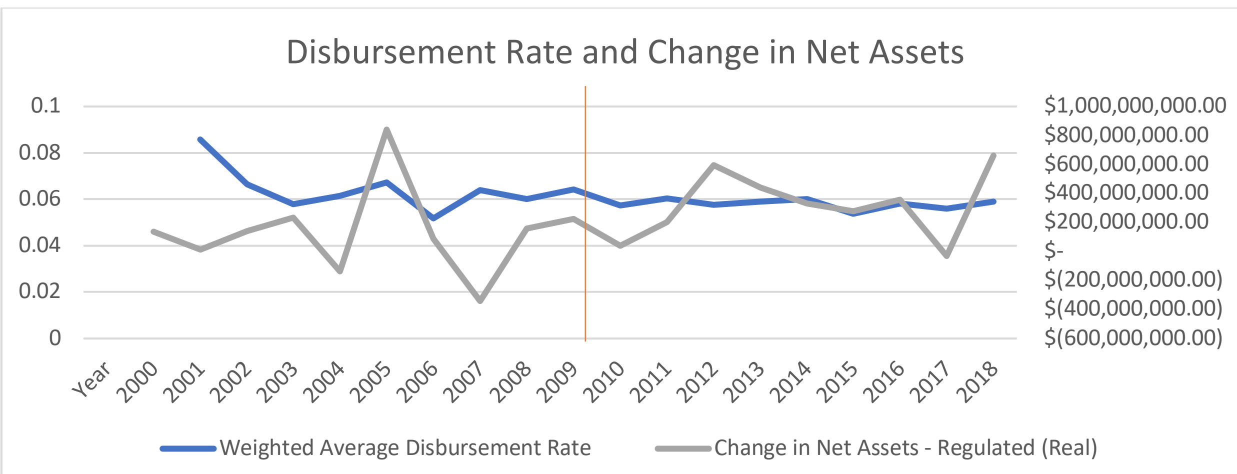
[20] https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/annual-spending-requirement-disbursement-quota/disbursement-quota-calculation.html

2000-2008 (DQ=4.5%)	2009-2019 (DQ=3.5%)
6.50%	5.87%
$ 135,804,872	$ 215,120,895

Data source: Canada Revenue Agency T3010 annual returns

Based on these findings, there is evidence to show that the 1% change in disbursement quota in 2009 did, in fact, lower the average disbursement rate over the next 11 years. However, during the same period the average amount of 2018 dollars disbursed annually by all community foundations increased by over 58%. This implies that while the rate of disbursement was lower, community foundations grew during this time which meant more money disbursed to charities annually.

Looking at the annual change in total community foundation assets compared to the weighted average disbursement rate, it can be shown that community foundation funding also remains steady.



Data source: Canada Revenue Agency T3010 annual returns

An interpretation of these findings is that while the lowering of the disbursement quota has allowed community foundations to decrease the rate at which they are distributing grants, it has allowed them to reinvest in their funds, which has in turn increased the absolute dollars being disbursed to charities. However, the actual disbursements have also consistently remained above the minimum quota, even during times of negative changes in assets (signifying years of negative investment returns), which is evidence against the argument that community foundations are hording wealth.

Another interpretation is that the growth of community foundations via donations has outpaced the rate at which community foundations are donating funds, causing a decrease in the disbursement quota. Unfortunately, it would be difficult to study the reasons behind these numbers, as the T3010 did not ask for investment income data for most years in question. It may be possible to infer what that rate would be each year through the interpretation of assets change, donations, other revenues, and expenses, but it could also skew results.

Projected Effect of Pending Regulation

As previously discussed, there is currently (as of fall 2021) a public consultation being conducted by the Government of Canada regarding raising the disbursement quota. With the actual weighted average disbursement rate the last 11 years already being over 5%, the disbursement quota used in the projection is 10%. This represents the higher range of what some are currently advocating.

The projection was run over 20 years, using data from the 102 community foundations operating during that time. The disbursement amount is calculated using the CRA guidelines from the previous section: 10% of the average of the previous two years' net assets. This projection starts in 2002. The adjusted net assets for subsequent years are calculated as follows:

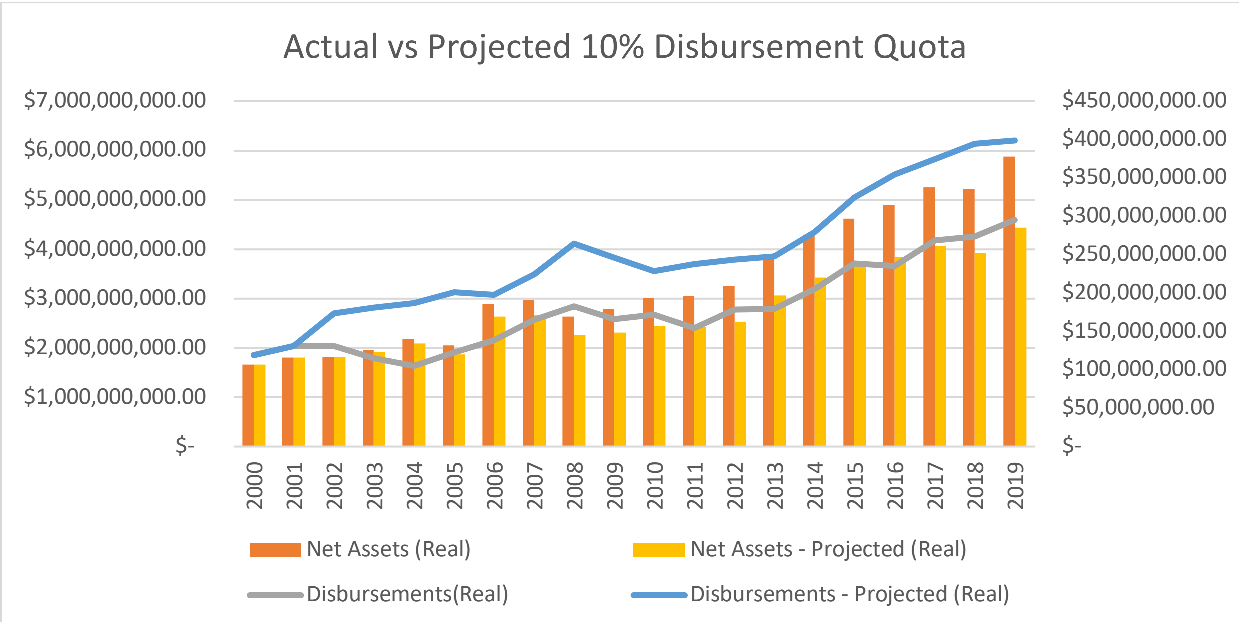
$$\begin{aligned} projectednetassets_0 &= actualnetassets_0 - actualnetassets_{-1} + projectednetassets_{-1} \\ &+ \ disbursementdifference_0 \end{aligned}$$

Which produced the following results:

	Actual (Real)	Projected (Real)	Difference
Number of Community Foundations	102	93	-9
Total Disbursements Over Period	$ 3,576,576,801.79	$ 5,007,465,594.43	$ 1,430,888,792.64
2019 Net Assets	$ 5,881,833,692.22	$ 4,440,851,611.11	-$ 1,440,982,081.11

Data source: Canada Revenue Agency T3010 annual returns

Which can be expressed visually on an annual basis:



Data source: Canada Revenue Agency T3010 annual returns

As would be expected, a significantly higher disbursement quota resulted a greater expected disbursement amount over the 20-year period, an estimated $1.43billion. This is balanced with an estimated $1.44billion reduction in community foundation's assets, which would also be expected. A potential area of further study would be to determine if there is a point where the reduction in assets at the projected 10% disbursement rate allows the observed disbursement rate to "overtake" the amount of actual dollars disbursed.

Another point to note from this projection is that there are nine community foundations that would have potentially ceased operations. For these projections, the point at which a community foundation was deemed insolvent was after two consecutive years of negative assets. At which point it was removed from the projections and count of operational community foundations. It is important to examine this further, as the foundations that are part of this group had fewer assets and were from smaller communities. If this were to happen, what it would represent is the complete loss of community foundations in certain Canadian communities, which would have a negative impact on those communities. At a higher level, it would mean the concentration of more charitable funding power in major urban centres, which is already the case for many other funding sources.

Policy Implications and Conclusions

In examining the 2009 regulatory change there is evidence to suggest that changing the disbursement quota influences the rate at which community foundations disburse funds. However, there are important qualifiers to that statement. Primarily that during both periods (before and after regulation change) the average disbursement amount was at least 2% above the minimum. This suggests that most community foundations are not interested in disbursing the minimum, contrary to what some submissions would imply.

The second qualifying statement is that while there was a decrease in disbursement rate after regulation, the average annual total dollars increased by a significant amount. It merits further study to the causes of that growth (donations, market returns, other revenues) and their proportionate impact. With the data currently available, we are only able to say that community foundations saw growth during that period, which means an increase in funds being disbursed, perpetually.

Based on the current available information regarding the historical operation of community foundations, the effect of past changes in regulation and the current public discussion regarding the disbursement quota, there is need for a more transparent process. The 2019 Report of the Special Senate Committee on the Charitable Sector included the line, "While the sector is resilient and innovative, its potential is limited by what are seen by many stakeholders as complex, outdated rules and a lack of coordinated support within the federal government."[21] Considering this, focusing on the amount disbursed by foundations involves a relatively small amount of effort from the government.

---

[21] Found on page 11 of the report, in the first paragraph of the Executive Summary.

A recurring theme through the available public positions is that they seem to put the interests of (community) foundations at odds with the interests of operational charities, which is not true. Community foundation's core mandate is to fund the charitable and public projects within their communities, which aligns their end goals with one another. This is an important point to remember in any regulation decision because it is not an either/or proposition as to where the funding is being directed. It is a matter of timing and longevity of that funding.

This leads to questions about the broader charitable sector. Namely, whether lack of funding is truly the only reason that they have not fulfilled their mandates (i.e. end homelessness, settle refugees, continue cultural institutions' operations indefinitely, etc.). During the discussion about disbursement quota there has been little to no focus on what the impact of the extra funding will be, nor how charities plan to adjust their operations if community foundations were to spend down their funds and cease to exist.

A possible change to legislation the government can explore is to create a policy that considers economic conditions (inflation, market returns, etc.) when calculating an annual disbursement quota, rather than creating a flat rate that can only be changed through further legislation. Setting such a policy could balance the sustainability of community foundations, while addressing the concern that they don't needlessly accumulate capital.

Regardless of the form that the new regulation will take, it is important that the regulators examine the actual question that is being asked: Is the charitable sector better with or without (community) foundations? If the answer is that it is better, then the disbursement quota must be at a level that supports their sustainability, while ensuring that the broader charitable sector continues receive necessary support.

Lastly, even if all the funds that are currently held with foundations were disbursed, this does not replace efficient tax policy and effective government support, either through direct funding of non-profits or expansion of government programs. If the Government of Canada recognizes that the services that non-profits provide for communities are necessary, or even essential, then continual reliance on uncertain funding from outside sources does not replace proper internal policies and programs.

References

Information from T3010 forms obtained from the Charities Directory department of the Canada Revenue Agency. Request processed on November 2, 2021, with information up to date as of September 30, 2021. Information regarding the form can be found at: https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t3010.html

"Report of the Special Senate Committee on the Charitable Sector"; June 2019; Committee Chair, The Honourable Terry M. Mercer; Found at www.sencanada.ca/en/committees/CSSB/42-1

"Charity Law Bulletin No. 150: Calculation of 3.5% Disbursement Quota for all Registered Charities" (2008); Theresa L. M. Man; Editor: Terrance S. Carter; Found at https://www.carters.ca/pub/bulletin/charity/2008/chylb150.htm

"Employment in the non-profit sector, 2007 to 2017"; Statistics Canada; accessed December 4, 2021; Found at https://www150.statcan.gc.ca/n1/daily-quotidien/190305/cg-a004-eng.htm

"Endowment Funds and the Community Foundation"; Wayne Stewart, former Executive Director of the Calgary Foundation published by The Philanthropist Journal; Accessed on November 5, 2021; Found at https://thephilanthropist.ca/original-pdfs/Philanthropist-12-1-118.pdf

"Disbursement quota calculation"; Canada Revenue Agency; Accessed on November 16, 2021; Found at: https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/annual-spending-requirement-disbursement-quota/disbursement-quota-calculation.html

"Local Community Foundations"; Community Foundations of Canada; Accessed on October 13, 2021; Found at: https://communityfoundations.ca/find-a-community-foundation/

"Moving beyond the disbursement quota towards transformative change"; Community Foundations of Canada; Accessed on October 13, 2021; Found at: https://communityfoundations.ca/boosting-charitable-spending/

"Rebooting Philanthropy: A Partner in Transforming Canada"; September 2021; Community Foundations of Canada; Accessed on October 13, 2021; Found at: https://communityfoundations.ca/boosting-charitable-spending/

General Philanthropic Foundations Canada information accessed on November 12, 2021; Found at: https://pfc.ca/about/

"PFC's Position on the Disbursement Quota"; Accessed on November 12, 2021; Found at: https://pfc.ca/pfcs-position-on-the-disbursement-quota/

"Consultations by Finance Canada Boosting Charitable Spending in Our Communities"; Submission by the Equitable Recovery Collective (September 30, 2021); Hosted on the Imagine Canada website, found at: https://www.imaginecanada.ca/sites/default/files/disbursement-quota-submission-equitable-recovery-collective-sept-2021.pdf

"The federal government should not overhaul charity rules during a pandemic"; October 5, 2021; Hilary Pearson; Accessed on November 25, 2021; Found at: https://policyoptions.irpp.org/magazines/october-2021/the-federal-government-should-not-overhaul-charity-rules-during-a-pandemic/

Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted. Found at: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501

"A brewing showdown over disbursement quotas"; June 16, 2021; John Lorino published by The Philanthropist Journal; Found at: https://thephilanthropist.ca/2021/06/a-brewing-showdown-over-disbursement-quotas/

"News release: Government launches consultations on boosting charitable spending in our communities"; August 6, 2021; Found at: https://www.canada.ca/en/department-finance/news/2021/08/government-launches-consultations-on-boosting-charitable-spending-in-our-communities.html

Appendix 1: Data

All financial data for community foundations was obtained either via the Canada Revenue Agency (CRA) website or directly from the Charities Listings department of the CRA. All data is from the T3010 form that all charities must submit to the CRA as part of their tax return.

During the time frame focused on in this study, the T3010 form had multiple iterations, with some information being included and then excluded based on the year. The notable cases that lead to assumptions in this paper are as follows:

1. 2000-2002 the form used the term “Disbursements” with all other years using a variation on the term “Gifts to Qualified Donees”. In this study they are used as the same measure.
2. 2009-2011 the data referring to “Gifts to Qualified Donees” was split into “Specified” and “Unspecified” groups. Generally, there were very few “Specified” gifts. For this study the two amounts were combined for a total amount of gifts to qualified donees.
3. In the 20-year span of the available data, the T3010 typically does not ask the reporting organization to explicitly state their disbursement rate. Because of this for every year the rate was calculated using on the stated disbursement amount. The implications of this on the reported findings is explored in the body of the paper.
4. As discussed in the body of the paper, there are differing opinions on what expenses are included in the calculation of a foundation’s disbursement rate, with some foundations including certain administrative or programming expenses. As previously stated, most years there was no line on the T3010 to report the internally calculated disbursement rate, so based on the available data it would be impossible to know how each individual foundation calculated their rate. Therefore, the decision was made to use the most straightforward number in the calculation: the reported disbursements. One implication of not knowing what other amounts a

specific foundation uses to calculate their disbursement rate means that the rate may be higher than what is reported in this paper, with the inclusion of additional costs.

5. The list of community foundations used for the study is from the Community Foundations Canada (CFC) website's list of their member. There are other organizations that call themselves community foundations but are not members of CFC. The reason for exclusion is that CFC confirms that organizations are operating at their standard of community foundation before granting membership, making it a simple way of distinguishing which are truly "community focused" foundations.
6. The CFC website lists 191 community foundations. There were two community foundations excluded from the total number in the study for the following reasons:
    a. One of the foundations operated under another listed community foundations charity number, therefore their data was combined. Upon viewing their websites it seems as though at one point the two foundations merged, but still continue to market themselves in their respective communities.
    b. One community foundation's charity number was inconsistently included in the CRA's data. There was no reason found for this, but the decision was made to exclude the foundation from the study.
    c. When calculating the data for the community foundations that operated from 2000 to 2019, two foundations were omitted from the financial portion of the study, but were included in the total number of community foundations in 2000:
        i. One foundation had zero totals in its return for 2000, implying that it started that year. This would have skewed the calculations of disbursement rate for 2002.

ii. The other foundation was missing all values for 2008. The totals of other years were included in the reported values, but they were not included in the pre- and post-regulation portion of the study, primarily because 2008 specifically is an important year.