

Methodology World Charity Index 2017

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1. Introduction

In the quest to identify the world's most generous philanthropic foundations around the globe, one must have a clear methodology and guidelines at hands to do so in the most rigorous manner possible. The Center for Philanthropic Studies at the VU University in Amsterdam therefore proposes the following methodology section to guide us in comprising 2 'top 20' lists for the City A.M. giving index, to be presented around Christmas time 2017. Based on charitable giving in the previous year (2016), a top 20 list is made for both the most generous foundations across the entire globe as for Europe's most generous.

In order to foster consistency for the methodology used in future lists and to promote transparency in the research, a clear methodological framework is of key importance. In this methodological framework we first define which organizations are included and excluded from the lists by creating a definition of what makes a 'foundation'. After that, we explain our work plan.

2. Foundations

The purpose of this study is to range *foundations'* financial support worldwide. As the legal and fiscal frameworks vary greatly from country to country it is complicated to come up with a single definition of foundations. Compared to the definition of a private foundation in the United States¹ for example, the European definition of a foundation is much broader. The European Foundation Centre (2007: 6) defines "public benefit foundations" as:

"Independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively, from an endowment, and their own governing board. They distribute their financial resources for educational, cultural, religious, social or

¹ A foundation is defined as a non-governmental entity that is established as a nonprofit corporation with a principal purpose of making grants to unrelated organizations, institutions or individuals for scientific, educational, cultural, religious or other charitable purposes that have been defined earlier in this document¹. A foundation derives its funds mainly from a family endowment, an individual, corporation(s) or organization(s) and does not solicit direct funds from the public. Just like a charity, a foundation is a Non-Governmental Organization (NGO). Foundations however, rarely manage or set up their own projects like charities do, do not accept direct (tax exempt) donations (with the exception of community foundations) from the public and are not required to represent the public interest through a diversified board of directors. Foundations usually contribute to the public good by making grants to projects or grantees administered by another entity. Foundation Center (2008) *Foundation Fundamentals*, 8th edition. New York.

*other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programs”.*²

In order to define the scope of this study, two important aspects need to be clarified in more detail.

1. Way of supporting

In this study we only focus on the *grant making activities* of foundations. Foundations that primarily operate their own programs and projects (operating foundations) are therefore excluded from the study. With regard to the so called mixed foundations (foundations that are engaged in grant making and operating activities), we only focus on the grant making activities of these foundations. It is also useful to clarify the difference between donating and other ways of contributing to the mission of the foundation. Relatively new concepts and practices such as mission related investments, loans, guarantees etc. are excluded from this study.

2. Source of income

In this study we focus on foundations who derives it funds from an endowment or a structural single private source of revenues, be it a family, an individual, corporation or other organization and does not solicit direct funds from the public. Therefore, foundations primarily dependent on fundraising from the public and community foundations/donor advised funds - supported by a broad range of private donors - are excluded from the study. Institutional private charity donors, such as charity lotteries, are included in the study. Charity lotteries receive income from a structural single source of revenue (proceeds from the sale of lotteries) and could also be compared to a foundation in their independent way of making grants and allocations.

All organizations included in the World Charity Index list are a foundation as a business entity. This information is usually described in the 'about us' sections on the foundations' websites, or alternatively checked by controlling whether they file the appropriate tax forms, such as a 990-PF in the United States. These documents are public documents, failing to provide official financials in either an annual- or tax report will exclude foundations from the world charity index lists. Some foundations use sub-foundation in order to be able to monitor and evaluate projects on a more local scope. A foundation is considered to be a single business entity when they; file tax forms as such, maintain financials as a single entity and have a global office or board that represents the sub-foundations and dictates their general principles.

3. Procedure of comprising the lists

The City A.M. Giving index is comprised mainly out of desk research. All data gathered, whether this is from charitable foundations making the top 20 or not, is saved in a comprehensive Excel Document. At a bare minimum, we record the name of the foundation, the target year, the amount given, the currency in which this amount is reported, their country of residence, the year the organization was founded, the type of causes that are supported, whether the organization has a

² European Foundation Centre 2007. *Foundations' legal and fiscal environments. Mapping the European Union of 27*. Brussels: European Foundation Centre.

national or international focus and the web links from which the respective information was retrieved. Also, we aim to register the foundation's main funding source and operating strategy.

For comprising the current and future giving indexes, we constructed a structural approach to finding and indexing eligible foundations in the Excel spreadsheet with candidates.

- *Previous City A.M. Giving Index*

The first step in finding eligible foundations is to re-investigate official annual (tax) reports from the previous City A.M. giving index. The number of foundations investigated in the Excel spreadsheet far exceeds 20, since previous searches have rendered many foundations that make large philanthropic contributions but don't make it to the list. It is worthwhile to re-investigate these, increasingly so as they approach #20 on the ranking.

- *Other lists*

A second step is to utilize search engines such as Google and Bing to find lists of charitable foundations that may include foundations that we missed in previous indexes. As a rule, we do not copy figures reported from these found sources, but only use other lists to find eligible foundations we missed before, even when information comes from reliable external sources such as the American Foundation Center, and the European Foundation Center. We also took advantage of our 'Giving in the Netherlands' research to foundations in the Netherlands.

- *Local Experts*

Past experience has taught us that European, American and Oceanic foundations are easily found using search strings on Google and Yahoo, bringing forward a multitude of fruitful lists with eligible foundations from these regions. This stands in sheer contrasts with the difficulties encountered when finding large foundations in Asia (including the middle-east), where language poses a barrier that has been proven to be difficult to tackle. In this City A.M. Giving index, we attempt to tackle this problem by mobilizing local experts in South America, the Middle-East and Southeast Asia (Japan, Korea, China and Singapore in particular) to provide us with eligible foundations or reliable sources of information on local foundations.

13 local experts from different Asian countries were contacted for help. As one pointed out, comprising a list for Asian foundations is much harder because of the lack of mandatory public reporting legislation. This posed a real issue: With help of the local experts and the Chinese and Japanese Foundation centers, we were able to identify a decent number of large grant making foundations. However, these foundations often lack an annual report in English, even if there were to be one made publically accessible at all. These foundations have also been found very hard to get in touch with, not responding to a number of e-mails and reminders. The takeaway for next year might be to not only consult a local expert, but to partner up with at least a Chinese speaking, Japanese speaking and Arabic speaking local expert who can contact these foundations in their native language, during regular business hours. This year's excel sheet gives a decent overview of the big fish we would need to target with those efforts.

- *Contact top foundations not providing lifetime giving figures*

Lifetime grant expenditure data appears to be something not all foundations find necessary to track or report. Without doubt, there are foundations that are currently making the World's top 20 or European top 20 and should be in the top 20 lifetime donors as well. For future years, it would be informative to quickly identify which foundations do not report these financials and contact them in order to retrieve the necessary information and make the lifetime top 20 list more complete and correct. The same goes for foundations failing to provide up to date tax- or annual reports. Many of these foundations have been e-mailed but failed to provide an (timely) adequate response. If these foundations can be identified and notified timely in advance, they might be able to provide the required information and help make the world charity index even more complete.

- *Study on Philanthropy and Official Development Assistance. Research commissioned by L'Agence Francaise de Developpement.*

The 'Study on Philanthropy and Official Development Assistance' covers the planned data analysis of the 50 largest Foundations supporting Development Aid worldwide as commissioned by AFD and conducted by the Center for Philanthropic Studies (CPS) at VU Amsterdam. From this point forward, for each foundation their website, financial statements, annual reports and funded projects over the last 3 years have been analyzed. Relevant information is used to compare data of the Charity Index.

- *EUFORISTUDY*

In July 2012, the Center of Philanthropic Studies at VU University Amsterdam (www.giving.nl) was commissioned by the European Commission, DG Research and Innovation, to coordinate a Tender study on the contributions of foundations to research and innovation in the EU 27 (plus Norway and Switzerland). The European Foundations for Research and Innovation (EUFORI) Study is the first study to quantify and assess foundations' financial support and policies for research and innovation in Europe. The research was conducted between 2012 and 2015, and more than 12 000 foundations have been approached for the EUFORI Study. In total 1591 foundations participated in the EUFORI study. Relevant information is used to compare data of the Charity Index.

4. Financial statements

As a general rule, we only include a specific type of business entity: Foundations. In order for these foundations to qualify for the City A.M. giving index, financial information on grant making has to be reported in official statements in an official annual (tax) report. We carefully check whether the figures included pure-grant making only and strip them from staff- overhead- or other governance costs in the rare occasion foundations include these type of costs to their total grant making expenditure. Foundations have to be separate entities, and we will carefully check whether grant making does not flow back into the organization or government the foundations is affiliated to or whether it primarily serves the direct interests of these parties. The reported amount contributed by foundations is based on the previous year (2016) and converted to GBP (£). The conversion rate used to do so was based on the average conversion rate of 2016 as calculated by <http://www.oanda.com/currency/average> and displayed in table 1.1. The conversion rate of the Euro, the US Dollar and the HK Dollar have increased with respect to previous years.

2013	2014	2015	2016
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Euro	0.84893	0.80624	0.72671	0.81864
US Dollar	0.63953	0.60720	0.65442	0.74017
HK\$	0.08245	0.07830	0.08442	0.09535

Table 1.1 GBP (£) currency conversion rates used for the years 2013 (extracted 11-11-14), 2014 (extracted 01-06-15), 2015 (extracted 4-11-2016) and 2016 (extracted 5-10-2017)

We also provided rankings based on US Dollars (\$) and Euro (€), for which the following conversion rates were used.

	2013	2014	2015	2016
Euro	1.32797	1.36329	1.11078	1.10675
GBP	1.56431	1.64761	1.52916	1.35585
HK\$	0.12892	0.12895	0.12899	0.12882

Table 1.2 USD (\$) currency conversion rates used for the years 2013 (extracted 11-11-14), 2014 (extracted 03-11-15), 2015 (extracted 4-11-2016) and 2016 (extracted 5-10-2017)

	2013	2014	2015	2016
Dollar	0.75316	0.75354	0.90121	0.90372
GBP	1.17772	1.24040	1.37766	1.22448
HK\$	0.09702	0.09709	0.11626	0.11643

Table 1.3 Euro (€) currency conversion rates used for the years 2013 (extracted 11-11-14), 2014 (extracted 03-11-15), 2015 (extracted 4-11-2016) and 2016 (extracted 5-10-2017)

In order for a foundation to have her philanthropical gifts counted, these financials need to be presented in an official annual or tax report that has been published by the organization herself. The reported financials cover the years 2016, 2015, 2014 and 2013 and include only the cash payments made in the respective years, excluding any grant commitments made in the respective year but paid in or over subsequent years. All reported gifts are stripped from staff- overhead- and other governance costs and therefore include only the hard cash that arrived at the funded projects or grantees. We exclude direct charitable expenses as well as these are often somewhat ambiguous costs. We maintain a clinical view on charitable grants made by including grants to charitable organizations and projects only, as reported in official financial statements.

Besides monitoring whether the gifts served the public good, we critically examined whether the proceeds of the gift did not flow back into the organization or solely went to projects or institutions that have a direct liaison with the foundation herself.

5. The lists

Top 20 foundations worldwide currencies

Foundation Name	#	£ donated in 2016	% change
Bill and Melinda Gates Foundation	1	£3.623,31	-11%
Wellcome Trust	2	£601,40	-1%
Novamedia /Postcode Lotteries	3	£543,25	8%
La Caixa Foundation	4	£376,66	4%
Hong Kong Jockey Club	5	£371,96	1%
The Walton Family Foundation	6	£336,33	21%
Ford Foundation	7	£324,21	-14%
William and Flora Hewlett Foundation	8	£307,68	18%
W.K. Kellogg Foundation	9	£284,79	44%
The Robert Wood Johnson Foundation	10	£271,74	15%
Lilly Endowment	11	£266,23	-36%
David and Lucile Packard Foundation	12	£262,94	32%
Church Commissioners	13	£230,70	6%
Andrew W. Mellon Foundation	14	£219,77	6%
Gordon and Betty Moore Foundation	15	£210,14	3%
Margaret A. Cargill Foundation	16	£195,25	0%
Mastercard Foundation	17	£189,88	38%
John D. and Catherine T. MacArthur Foundation	18	£186,09	-22%
Helmsley Trust	19	£185,26	0%
The Simons Foundation	20	£171,50	-1%

* Increase or decrease in grants funded compared to 2015, in original currency

Top 20 foundations European currencies

Foundation Name	#	£ donated in 2016	% change*
Wellcome Trust	1	£601,40	-1%
Novamedia	2	£543,25	8%
La Caixa Foundation	3	£376,66	4%
Church Commissioners	4	£230,70	6%
Children's Investment Fund Foundation	5	£155,21	-8%
Compagnia di San Paolo	6	£135,40	15%
IKEA Foundation	7	£116,12	18%
Robert Bosch Foundation	8	£89,31	42%
Volkswagen Foundation	9	£82,82	-55%
The Leverhulme Trust	10	£78,62	-29%
Deutsche Fernsehlotterie	11	£73,68	105%
Garfield Weston Foundation	12	£58,70	1%
The Lundbeck Foundation	13	£51,89	16%
Bertelsmann Stiftung	14	£45,52	3%
Deutsche Bundesstiftung Umwelt	15	£41,87	4%
Gatsby Charitable Foundation	16	£41,50	102%
Stichting Benevolentia	17	£40,29	-4%
The Finnish Cultural Foundation	18	£29,82	5%
Wolfson Foundation	19	£28,45	-10%
Shell Foundation	20	£25,30	84%

* Increase or decrease in grants funded compared to 2015, in original currency

6. Literature

EUFORI Study (2012). Scope of the Study/Definitions. Amsterdam: Center of Philanthropic Studies.