



**WRITTEN SUBMISSION IN ADVANCE OF THE 2021 FEDERAL BUDGET
SUBMITTED BY PHILANTHROPIC FOUNDATIONS CANADA
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Executive summary

The pandemic has hit the charitable sector very hard. Many traditional sources of fundraising such as benefit events and earned income have dried up even as demand for several charitable services (e.g. from food banks to mental health and domestic violence) is rapidly increasing. Imagine Canada and the Ontario Nonprofit Network have estimated that one in five¹ not-for-profit organizations have either suspended or drastically reduced operations. In the short and medium terms, a very challenging economic landscape will likely reduce both charitable giving and volunteering. The web of connections and services offered by the sector – a cornerstone of Canada’s social and economic capital – is at risk of unraveling.

Philanthropic Foundations Canada’s members are stepping up in their giving to respond to this historic crisis. Since March 2020, foundations have committed \$172M² to addressing the crisis. However, private foundations cannot replace public leadership. The Government of Canada is an essential partner in this struggle to protect Canadians and to build the policy framework for an inclusive and sustainable economic recovery.

In this brief, we make four recommendations to the Federal Government aimed at enhancing the economic and social contributions of the charitable sector to Canada:

Recommendation 1: That the federal government designate a dedicated space for the charitable sector within the machinery of government.

Recommendation 2: That the federal government maintain, enhance and support programs and initiatives to strengthen both the resilience and diversity of the charitable sector so that it can continue to support communities and serve Canadians throughout the pandemic.

Recommendation 3: That the federal government invest in data pertaining to the charitable sector through Statistics Canada.

Recommendation 4: That the federal government create a level-playing field by reforming non-qualified donee requirements as well as support the legislative amendments contained in [The Effective and Accountable Charities Act](#) recently tabled by Senator Omidvar.

¹ Imagine Canada. (2020). Sector Monitor Charities & the COVID-19 Pandemic. Retrieved from:

https://imaginecanada.ca/sites/default/files/COVID-19%20Sector%20Monitor%20Report%20ENGLISH_0.pdf

² Philanthropic Foundations Canada. (2020). Second report in PFC’s COVID-19 Data Mapping series. Retrieved from: https://pfc.ca/wp-content/uploads/2020/07/pfc_insights_covid19_july_eng.pdf



Background

Philanthropy has been a driving force in building and shaping the Canada we know today. In the face of an historic crisis, the charitable and nonprofit sector continues to step up, supporting the most vulnerable Canadians through the pandemic. **The sector comprises 8.5% of Canadian GDP**, and employs 2.4 million people.³ Canada would not be the same without the philanthropic sector – a sector that is vital to Canada’s economy and society.

Philanthropic organizations clearly have a role in stimulating and restarting the economy. According to the most recent report from PFC’s COVID-19 Data Mapping series, philanthropy in Canada is undergoing a major shift in response to the pandemic, and many funders have adapted to this crisis and adjusted their support to grantees. A total amount of \$172M, 85% of which comes from Private Foundations, has been committed.⁴ Many philanthropic funders are being pragmatic, flexible, and protecting the capacity and resilience of nonprofit and charitable organizations by staying engaged and by taking the long view:

- 85% Provided funding to support COVID-19 response
- 64% Enabled reallocation of existing grants to COVID-19 related activities
- 81% of funders are accepting applications from new and existing grantees
- 58% Removed restrictions on existing grants
- 57% of funders have increased their disbursements.
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Recommendation 1: That the federal government designate a dedicated space for the charitable sector within the machinery of government.

COVID-19’s toll on the charitable and philanthropic sector has served as a stark reminder that the charitable sector needs a ‘home within government’. The government is poorly served by its lack of knowledge of the charitable sector. One need only consider the government’s internal assessment that only one charitable organization, WE charity, could implement the Canada Student Service Grant. A home within government would provide much-needed knowledge, a natural platform both for collaboration and for strengthening the long-term resilience and ongoing impact of the sector.

Charities and nonprofits have revenue streams that are substantially different from private businesses. Policymakers who understand the role, challenges and opportunities for the charitable and non-profit sector can better ensure that resources, regardless of their source, are spent effectively on targeting the issues Canadians face.

A home within the federal government would be mutually beneficial. Currently, there exist inefficiencies amplified by the absence of a designated and dedicated space within government. For instance, there are increased costs to ensure efficient communication between all parties involved. A home in government

³ Statistics Canada. (2017). The Daily — Non-profit institutions and volunteering: Economic contribution, 2007 to 2017. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/190305/dq190305a-eng.htm>

⁴ See Note 2.



would allow an efficient two-way communication system fostering better policy at a lower cost. The federal Advisory Committee on the Charitable Sector, housed in the Canada Revenue Agency (CRA), has a limited mandate to provide the CRA with advice on areas within its jurisdiction. As currently constituted, it is far short of the kind of role required by both the charitable sector and the federal government.

Moreover, as government considers matters of policy – such as the Disbursement Quota (DQ) – that directly impact the charitable and non-profit sector, a home in government would facilitate an open, inclusive and transparent process, one that engages all stakeholders and that draws on data and evidence.

For these reasons, we recommend that the federal government establish a permanent home in government for the charitable sector in order to ensure long-term resilience and sustainable collaboration beyond the limited mandate provided to the federal Advisory Committee on the Charitable Sector within the remit of the CRA.

We expect the forthcoming report of the Advisory Committee to make similar recommendations.

Recommendation 2: That the federal government maintain, enhance and support programs and initiatives to strengthen both the resilience and diversity of the charitable sector so that it can continue to support communities and serve Canadians throughout the pandemic.

The sector is appreciative of the emergency relief that was provided by governments at the outset of the pandemic. Programs like CEWS, Emergency Rent Subsidy, the \$350M Emergency Community Response Fund and various funds (from food banks to domestic violence and indigenous needs) have allowed organizations to maintain critical services to Canadians. Programs such as the Canada Emergency Response Benefit (CERB) and the Canada Recovery Benefit (CRB) as well as the Canada Recovery Benefit (CRCB) and Canada Recovery Sickness Benefit (CRSB) have also provided income support to many of the people working in and with our sector. However, as reserves are being depleted, most organizations within the sector will experience the greatest effects of the crisis in their 2021 operations.

In addition, the crisis has both revealed and reinforced historic inequalities in Canadian society. We are at a watershed moment in Canada's history to take meaningful steps towards ensuring the realization of fairness, equity and equality of opportunity for all Canadians. PFC applauds the additional government funding that has been made available to Indigenous communities. Some foundations have established an Indigenous People's Resilience Fund⁵ that complements these investments. PFC is collaborating with The **Circle on Philanthropy and Aboriginal Peoples in Canada** to review and renew foundations commitments made under the 2015 Calls to Action of the Truth and Reconciliation Commission.

⁵ Indigenous People's Resilience Fund. (2020). Retrieved from <https://communityfoundations.ca/initiatives/indigenous-peoples-resilience-fund/>



We are also committed to authentically and actively addressing the crisis of anti-Black racism. The philanthropic sector is exploring several tremendous ideas and proposals such as the establishment of a **Foundation for Black Communities**, which seeks to be a first of its kind: a Black-focused, Black-led, Black-serving grant-maker, convenor and partner that will fill a critical gap within the philanthropic landscape as evidenced by the findings and recommendations contained in the ground-breaking report [UNFUNDED: How Black Communities are Overlooked by Canadian Philanthropy](#).

The continued support of the government will be needed to ensure that the charitable and nonprofit sector can continue to provide vital services to Canadian during a protracted pandemic and recover post-crisis.

For these reasons, we recommend that the government maintain and enhance programs and initiatives like CEWS, the Emergency Rent Subsidy and the Emergency Community Response Fund that support organizations as well as income support programs such as such as the Canada Recovery Benefit (CRB) that help individuals.

In addition, **we urge the Government to consider proposals by the Foundation for Black Communities and other equity-seeking initiatives to establish resources and assets that will provide long-term sustainable investments that advance prosperity and promise for Black Canadians, Indigenous Peoples and other marginalized and/or racialized groups.** In so doing, the government may wish to build on the best practices and lessons learned from the model of the **Equality Fund** following an open and transparent process while ensuring timely and equitable access by under-served Canadians and communities.

Recommendation 3: That the federal government invest in data pertaining to the charitable sector through Statistics Canada.

As it stands, the non-profit sector collects its own data through a disaggregated and expensive approach. The sector needs leadership and coordination from the federal government, and we recommend that Statistics Canada be allocated a modest budget to collect, analyze and share data pertaining to philanthropy that would be to the benefit of the sector and policy-makers across all levels of government. In the face of the COVID crisis, the lack of adequate data presented the sector with significant challenges. Even though organizations across the country such as PFC have stepped up, we need to invest in data now for much more effective planning and investments.

The report on [Diversity of charity and non-profit boards of directors](#) recently released by Statistics Canada illustrates the importance and utility of data in both shaping the sector and gauging its impact. Such data collection should be incorporated into T-3010 reports on ongoing basis rather than as one-off reports.



PFC has identified three key gaps in available data.

1. A lack of data pertaining to all incorporated nonprofits as well as their area of impact and funding sources;
2. A lack of data pertaining to human resources, making labour force planning more difficult; and
3. The federal government has not done annual updates to the Satellite Account of Non-profit Institutions and Volunteering since 2008.

This lack of macroeconomic data makes policymaking and planning more difficult for both the government and the charitable sector.

For these reasons, we recommend that the government give Statistics Canada a clear mandate to address the above data gaps, while providing resources of at least \$1 Million annually to address these gaps.

Recommendation 4: That the federal government create a level-playing field by reforming non-qualified donee requirements as well as support the legislative amendments contained in [The Effective and Accountable Charities Act](#) recently tabled by Senator Omidvar.

Our data shows that funders are engaging in collaborative efforts to work on their COVID-19 Responses.⁶ Partnership between the nonprofit, charitable and private sectors can have synergistic impacts that surpass what any one sector can achieve on its own. Current Income Tax Act rules regarding qualified donees and direction and control make it exceedingly difficult to form such partnerships in a way that puts the needs of communities first.

Principles of equity and inclusivity are undermined by the current policy regime, as marginalized communities and Indigenous communities remain unable to benefit from charitable funds to the same degree as more privileged demographics.

Many foundations that seek to support Black and Indigenous communities struggle to do so because of the more stringent administrative requirements on both funders and recipients. Sarah Jama, co-founder of Disability Justice Network of Ontario (DJNO), explained her organization's plight in supporting people with disabilities during the pandemic. DJNO supported people who were immunocompromised to get the resources they needed at the beginning of the pandemic, and had to draw on programming funds to do so. *'There's no room for foundations to be having conversations about whether there's a registered charity number'*, she said, referencing the obstacles current tax laws impose on community organizations.⁷

⁶ See Note 2.

⁷ Philanthropic Foundations Canada. (2020). Webinar: COVID-19, Diversity, Equity & Inclusion. Retrieved from: <https://www.youtube.com/watch?v=FZjP-SU8wpo&t=5s>



In June 2019, the **Senate Special Committee on the Charitable Sector** released a report, entitled *Catalyst for Change: A Roadmap to a Stronger Charitable Sector*, with 42 recommendations.⁸ Two are of particular relevance here:

- Recommendation 31 calls on the Government of Canada to develop, implement and evaluate a pilot project to allow registered charities to make gifts to non-qualified donees in certain circumstances, namely where the gifted funds are subject to careful monitoring and used for exclusively charitable purposes, in order to facilitate cooperation between registered charities and non-charities.
- Recommendation 28 pertains to reforming the income streams charities and nonprofits can receive, arguing that “earned income is the only option that offers “any prospect of long-term growth.” Instead, it is recommended that the destination of funds be evaluated such that any non-profit can carry out any revenue generating activities as long as the income earned goes to the mission of the organization. Notably highlighted in the Senate Special Committee Report, the ‘destination of funds’ test has successfully been adopted in Australia to loosen stringent administrative requirements.

Many of these recommendations have been reiterated and reinforced in Bill S-222 recently tabled by Senator Ratna Omidvar and entitled [The Effective and Accountable Charities Act](#). In promoting a shift from charitable activities to charitable outcomes, the number and nature of qualified donees would expand to include not-for-profits, social enterprises and civil society groups – thereby allowing for greater collaboration and impact in supporting Canadians and in serving communities.

For these reasons, we strongly support [The Effective and Accountable Charities Act](#) and we encourage the government to support the legislative amendments it proposes. Further, we recommend that the federal government work with the sector to reform the existing rules on non-qualified donees and introduce a pilot project to facilitate collaboration between charitable and not-for-profit organizations.

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About Philanthropic Foundations Canada www.pfc.ca

We are a member association of Canadian grantmakers, including private and public foundations, charities and corporations. Created in 1999, we became a registered charity in 2002. We seek to support our members and organized philanthropy by encouraging public policies that sustain the sector, by increasing awareness of philanthropy’s contribution to the well-being of Canadians, and by providing opportunities for funders to learn from each other. We provide a voice for organized philanthropy, assist in building a professional network for our thought-leaders, and inform on good practice.

⁸ Special Senate Committee on the Charitable Sector. (2019). Catalyst for Change: A Roadmap to a Stronger Charitable Sector. Retrieved from: <https://sencanada.ca/en/info-page/parl-42-1/cssb-catalyst-for-change/>