CONSULTATIONS BY THE GOVERNMENT OF CANADA ON BOOSTING CHARITABLE SPENDING IN OUR COMMUNITIES

SUBMISSION BY
PHILANTHROPIC FOUNDATIONS CANADA (PFC)

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EXECUTIVE SUMMARY

Philanthropic Foundations Canada (PFC) welcomes the opportunity to contribute to the Government of Canada's consultations on "Boosting Charitable Spending in our Communities." This submission builds on the policy brief PFC presented to the federal government in June 2021 and reflects the most extensive consultations – with members as well as sector partners and experts – undertaken in PFC's 20-plus-year history.

PFC supports an increase to the minimum Disbursement Quota as part of a package of policy measures aimed at boosting charitable spending in communities. PFC also believes that, in order to modernize the overall non-profit and charitable sector, particularly post-pandemic, the issue goes well beyond the percentage of assets to be annually disbursed. **It is PFC's strong recommendation that the federal government adopt a whole-of-government approach that looks beyond the limitations of the DQ alone** in meeting the objective of increasing funding flows to communities in all of their diversity. By taking a broader view and addressing some key related policies, PFC believes that we can-better ensure that communities that have been historically and persistently under-funded and excluded receive greater access to charitable spending.

In taking an impact and equity approach to boosting philanthropic funding to communities, PFC considered the broader public policy question: ***How can foundations fulfill their missions and better serve the common good both now and in the future?*** In addressing this overarching question, PFC distilled **three key conditions that would enable increased spending to be both more effective and equitable as well as help modernize the overall non-profit and charitable sector**:

1. Put more charitable assets to work for the common good by going beyond charitable granting set by the DQ to include the deployment of more foundation assets through impact investing and other forms of responsible investment.
2. Improve equity and distribution of charitable assets by creating a more diverse and level playing field to more effectively support non-profit groups that provide public benefit even if they do not formally have charitable status.
3. Address the data deficit within and about the charitable and non-profit sector so that both government and the sector can improve analysis, accountability, transparency and impact.

These three enabling conditions are in turn based on **five principles that PFC believes must be at the core of all policymaking** affecting the non-profit and charitable sector in general, and philanthropy in particular: **Autonomy; Solidarity and inclusion; Diversity and sustainability of foundation models; Evidence-based policymaking; and Partnerships**. The first part of this submission outlines these five core principles and three enabling conditions; the second part provides detailed responses to the **six questions** posed in the government background document.

Notably, in conjunction with its support for an increased DQ to a minimum of 5%, PFC recommends **a reasonable transition period to the new DQ regime** in order to allow foundations not only to grow their granting, but to encourage diversification beyond existing partners to be more inclusive of communities that are usually under-served and under-funded. PFC also proposes a **periodic review** (e.g. every five years) of the DQ according to a **data-driven formula** that promotes philanthropic impact and **precludes capital accumulation in endowments**.

PFC also underscores the need for a diverse, transparent and accountable sector as well as inclusive and informed decision-making. Philanthropy's collective responsibility also requires ongoing encouragement of innovative and different operating models – ranging from spend-downs to long-term endowments – in order to effectively support the common good.

Through these recommendations, the philanthropic ecosystem can better contribute to strengthening and sustaining a more dynamic and inclusive civil society – which is the ultimate mission of philanthropy and fundamental both to the health of our democracy and to our collective well-being. To do so, a modernized regulatory architecture that embraces and protects the diversity and independence of foundations' missions can also encourage the transfer of capital to a wide range of philanthropic initiatives that enable both immediate and long-term outcomes supporting the well-being of all communities.

PART 1 – PFC'S PROPOSED HOLISTIC APPROACH TO BOOSTING CHARITABLE SPENDING IN OUR COMMUNITIES

Philanthropy has evolved over the last fifteen years in order to better support organizations working on the frontlines to address community, social and environmental risks by providing sources of patient capital and investment as well as by building relationships across civil society. Recent events – including the pandemic and climate catastrophes – have reinforced our knowledge that together we are stronger. Philanthropy is also diversifying to include a rapidly growing number of public and private foundations, supporting more issue-specific and key social issue investments responding to priorities from Reconciliation and Indigenous self-determination, gender equality and anti-racism to climate change, mental health and more.

In light of these changes, philanthropic foundations have become both more active and more agile as recognized and essential partners to civil society and non-profit organizations working directly with a wide range of Canadians, causes and communities. Without such productive partnerships within the non-profit and charitable ecosystem, foundations could not begin to achieve their own goals, let alone broad critical societal ones. The sector is modernizing, and it is important that partnerships with government also support these efforts. To that end, and in support of this consultation, **PFC proposes that an exclusive focus on the Disbursement Quota would represent a missed opportunity not only to boost charitable spending in Canada, but to further modernize the non-profit and charitable sector.**

In the 2021 federal budget, the government signalled its intent to increase the Disbursement Quota (DQ) as the means to "boosting charitable spending in our communities" and a subsequent document released by Finance Canada states that: "supporting Canada's charities, non-profits, social enterprises, and other organizations to provide vital services to our communities, including to the most vulnerable members of society, is a key priority of the federal government." **PFC shares the government's**

goals of increasing spending and supporting equity-seeking communities in particular. While we believe that increasing the DQ is a necessary step, we also know that it is far from sufficient if the federal government is to achieve its stated goal of boosting charitable funding in communities – let alone other government priorities with respect to equity, diversity and inclusion.

It is PFC's strong recommendation that the federal government look beyond the limitations of the DQ alone being studied at Finance Canada and involve other departments – including the Canada Revenue Agency, Employment and Social Development Canada, and Statistics Canada – in meeting the objective of increasing funding flows to communities in all of their diversity. By taking a broader view and addressing key related policies, we will develop a stronger path toward our mutual goals and better ensure that communities that have been historically and persistently underfunded and excluded receive greater access to charitable spending.

Government policy and relations with the non-profit and charitable sector should be organized to support and sustain strategic engagement with the public sector. Government policy should be coordinated in a way that ensures the well-being of our sector: in addition to its unmatched social impact, it represents more than 8% of Canada's GDP and employs well over two million people, most of whom are women. A dynamic and integrated ecosystem, including a **'home in government'** for the sector, would have immense benefits both in promoting the partnerships and public good that come from collaboration between our sectors, and in helping avoid piecemeal, uncoordinated and ineffective efforts and outcomes.

PFC welcomes Finance Canada's consultations on the DQ signalled in the April 2021 federal budget and launched last month. Indeed, PFC embarked on its own consultation process – the most extensive in the organization's 20-plus-year history – involving member surveys, focus groups, interviews, CEO gatherings, workshops and public webinars in addition to an in-depth Investment and Disbursement Quota survey prepared by an independent firm specializing in ESG (found in annex to this submission). Moreover, in March 2021, the PFC Board created a special Working Group on the DQ, which met regularly with legal, academic and other experts as well as sector partners and community leaders in the course of developing our position. Several members shared modelling with sensitivity analysis with respect to different DQ levels; and PFC also contracted experts at Carleton University and PwC to assist us in our research efforts, notably in assessing how to improve Form T3010 used by charities to report their activities to the CRA. In June, PFC also hosted well-attended public webinars featuring a range of foundation views and community perspectives on the DQ.

Through this process, PFC concluded that an exclusive focus on the DQ would represent a missed opportunity to not only boost charitable spending in Canada, but to modernize the sector. Most foundations already grant out more than the DQ, and many have stepped up even further during the pandemic through collective calls to action such as the Give 5 Pledge as well as at their own initiative. Without considering the broader policy context, a narrow focus on this single instrument could be of limited use and may well result in exacerbating some of the inefficiencies and inequities the federal government seeks to address. Indeed, without undertaking additional policy measures, it could undermine the government's stated objectives – not only those specific to these consultations, but the broader recovery agenda.

We understand that other policy measures are outside the mandate of the Finance Canada consultation. However, we believe the **non-profit and charitable sector has demonstrated its constructive and continuing role in achieving societal benefits, and that it warrants a "whole-of-government" approach**. In fact, PFC strongly supports recommendations aimed at creating a **single departmental home for the non-profit and charitable sector within the federal government** – building on the long-standing approach in Québec and similar to the BC government's move earlier in 2021.

FIVE CORE PRINCIPLES FOR POLICYMAKING REGARDING THE PHILANTHROPIC SECTOR

PFC believes that there are five principles that must be at the core of any and all policymaking affecting the non-profit and charitable sector in general, and philanthropy in particular:

1. ***AUTONOMY:*** Civil society is an essential building block of democracy – important not only in its own right, but in filling the space untouched by the public and private sectors. As foundations are critical elements of civil society, any policy regulating their work should ensure that foundations remain operationally autonomous and independent.

2. ***SOLIDARITY AND INCLUSION:*** The regulatory framework governing foundations should promote their ability to work in equitable partnerships with diverse civil society organizations at the forefront of impact. It should support the capacity of all groups engaged in charitable activities – including and especially those from equity-seeking communities who have been historically and persistently excluded as well as under-funded by public and private entities – to build relationships and access resources from foundations without prejudice.

3. ***DIVERSITY AND SUSTAINABILITY OF FOUNDATION MODELS:*** The organizations that philanthropy supports play a key role in addressing the complex set of challenges faced by society. These supports require both short-term and long-term approaches and investments. As such, government policy should foster a diversity of foundation models including those with flow-through models, those that spend down or sunset over a prescribed period of time and those premised upon long-term or indefinite horizons.

4. ***EVIDENCE-BASED POLICYMAKING:*** The regulatory frameworks affecting our sector should be based on sound, complete and publicly reviewable and accessible data. To maximize impact and minimize unintended consequences, policy development must be evidence-based.

5. ***PARTNERSHIPS:*** Civil society organizations, including foundations, are the primary partners of governments in ensuring a healthy democratic society. These partnerships must be recognized by any regulatory framework affecting the philanthropic sector. While the financial contributions of foundations are dwarfed by those of government, philanthropy plays a critical, distinctive and

complementary role. Notably, foundations, through their granting and investments:

- provide social risk capital to community organizations;
- are particularly focused on advancing charitable objectives and advancing the missions of civil society organizations including equity-seeking groups; and
- support long-term engagement on complex social, environmental and cultural issues.

Based on these core principles, PFC is proposing a broad and holistic approach to boosting charitable spending. **Increasing the flow of funds to communities requires shifts both in *how* foundation assets are invested and in *who* receives funding from foundations**. By aligning charitable assets with the flow of charitable spending – and expanding the base of recipients for that funding – we will develop a stronger path to meeting the government's goal and ensure that historically and persistently excluded communities receive greater access.

THREE ENABLING CONDITIONS FOR BOOSTING CHARITABLE SPENDING IN COMMUNITIES

In taking a more holistic approach, PFC considered the broader public policy question: ***How can foundations better fulfill their missions and better serve the common good now and in the future?*** In addressing this overarching question and building on the five core principles outlined above, PFC has distilled three key enabling conditions:

1. Putting more charitable assets to work for the common good: Going beyond annual charitable granting set by the DQ to include the deployment of all foundation assets through impact investing and other forms of responsible investment.
2. Improving equity and distribution of charitable assets: Creating a more diverse and level playing field to more effectively support non-profit groups that provide public benefit even if they do not formally have charitable status.
3. Addressing the data deficit within and about the non-profit and charitable sector so that both government and the sector can improve analysis, accountability, transparency, and impact.

ENABLING CONDITION 1: PUTTING MORE CHARITABLE ASSETS TO WORK FOR THE COMMON GOOD

Going beyond charitable granting set by the DQ to include the deployment of all foundation assets through impact investing and other forms of responsible investment.

Recognizing, tracking and encouraging foundations to better align their capital with their respective missions and values would go a long way to increasing the impact of foundations and charitable spending in the community. Raising the DQ centres on increasing grants; but grants constitute a fraction of the financial clout of foundations' capital, and just one of the ways foundations contribute to the common good. In 2011 the Canadian Task Force on Social Finance made a recommendation – endorsed by both PFC and Community Foundations of Canada – that a minimum of 10% of each foundation's capital should be invested in program-related investing (PRI). Although PRI is rapidly increasing (to nearly 8% according to our PFC 2021 investment survey), most foundations still fall short of this goal.

PFC believes that the government can nudge foundations to dedicate at least 10% of their assets into projects, programs and investments that further each organization's charitable objectives. PFC supports building public reporting and other tools to track and encourage PRI and related commitments. Meeting – let alone exceeding – the recommended minimum 10% PRI goal would eventually bring billions of new investments to public and community priorities, including subsidized housing, childcare, social finance, clean energy and Green Bonds. PFC proposes that, while the 10% target should be voluntary, reporting could become mandatory – alongside any and all investments of assets – through the collection of relevant data via Form T3010 or other tools. A pilot period could identify possible issues and any absorption or distorting market issues. Furthermore, greater transparency regarding the use of foundations assets would strengthen the sector. As with the requirement that foundations report on funding provided to qualified donees, a similar reporting mechanism could be established detailing the makeup of a foundation's investment portfolio.[1]

PFC is in the process of exploring complementary approaches to the DQ. An indicator that combines grants and program-related investments could help shift mindsets within the sector and beyond to approach philanthropy from a lens that aims to align more of our assets to positive social and environmental impacts.

ENABLING CONDITION 2: IMPROVING EQUITY AND DISTRIBUTION OF CHARITABLE ASSETS

Creating a more diverse and level playing field to more effectively support non-profit groups that provide public benefit even if they do not formally have charitable status.

Many organizations serving diverse communities across Canada are not formally classified as “qualified donees” by the Canada Income Tax Act. Alongside charities, non-qualified donees (NQDs) such as grassroots organizations and other community-led initiatives do crucial work helping to bolster social cohesion and inclusion in addition to providing critical services that contribute to healthier, safer, more sustainable societies. Supporting non-qualified donees is imperative to advancing equity and justice as on-the-ground initiatives are often the most nimble and best equipped to identify and advance solutions for their own communities, and key resources available in historically and persistently excluded communities are often provided by local grassroots leadership. Such initiatives are overwhelmingly led by racialized and other groups that are under-served, under-represented and under-funded in philanthropy.

Outdated rules prevent charities from providing funds to non-charities unless they enter into an agreement whereby they exercise “direction and control” over the activities of their NQD partner. This requirement hinders equitable partnerships by creating unequal, colonial and paternalistic power dynamics. It also makes charitable work cumbersome, inefficient and ineffective. Ultimately, because NQD partners are forced to act as mere agents of large charitable organizations, the current rules undermine genuine and long-standing commitments to reconciliation with Indigenous peoples as well as efforts to address systemic racism, sexism and other forms of discrimination.

The rules create an unnecessary barrier between funders and those serving legitimate community needs, thereby restricting the impact of a range of community-based

[1] See annex on Form T3010 for more detailed recommendations

organizations working for the public interest and perpetuating a cycle of marginalization for many groups working to advance equity in their communities.

The current Income Tax Act policy regime impedes many NQDs from accessing charitable funds to the same degree as more privileged demographics. It currently takes substantial time, money and other resources both to obtain charitable status and to work with charitable partners; these are investments and trade-offs that some community groups are not able to make or choose not to make. While some of these groups may formally seek charitable status, others remain dedicated to their work in their community as unincorporated grassroots, non-profit and/or community groups. In promoting a shift in focus from ongoing operational control of activities to ensuring that charitable resources are devoted to achieving charitable outcomes, support for non-profits, social enterprises and civil society groups would expand – thereby allowing for greater collaboration and impact in supporting Canadians and in serving communities. **We therefore urge the government to both (a) level the playing field between all non-profit groups that provide a public benefit – regardless of whether they formally hold charitable status or not – and (b) enable charities to more easily partner with and fund NQDs.** Developing avenues for NQDs to engage and participate without prejudice would help build trust and collaboration that would contribute to the good of society.

Without reforming NQD requirements, a DQ increase would likely exacerbate pre-existing inequities across race, gender, sexual orientation, faith, disability and economic status. For all these reasons, we encourage the government to support the relevant legislative amendments adopted by the Senate in The Effective and Accountable Charities Act.

ENABLING CONDITION 3: ADDRESSING THE DATA DEFICIT WITHIN AND ABOUT THE CHARITABLE SECTOR
Addressing the data deficit within and about the non-profit and charitable sector so that both government and the sector can improve analysis, accountability, transparency and impact.

Today we do not have a reliable picture of philanthropic activities, trends or impacts. A modern and fully functioning policy framework between governments and charities must be transparent, data-driven and evidence-based to fully assess the magnitude, nature and diversity of initiatives supported by the sector. Neither the charitable sector nor the government has that data today. The current data reporting system falls short and needs significant improvement.

For the non-profit and charitable sector, the lack of adequate data presented significant challenges during the COVID pandemic for how it could respond to community needs. For the government, the absence of data means that understanding and effectively administering a system around the DQ will fall short. It also impairs modernization and policymaking for both the government and the sector. Better data and fact-based understanding leads to better results.

More and better public data is required to improve analysis, accountability, transparency and impact. It would also advance the government's commitments to improve its quality-of-life measures and the availability of disaggregated data. Ultimately, **data is required to fully assess the public goods and benefits being supported by philanthropic foundations.** The ongoing collection and dissemination of disaggregated data on the non-profit and charitable sector – including the state of equity in the sector, the work it does, the populations with which it works, and sector leadership – is critical to be able to monitor, understand and address sector and community health and impact.

Specifically, **PFC believes that the federal government should invest more in data through Statistics Canada and implement key proposals identified in the 2019 Senate Report and report of the federal Advisory Committee on the Charitable Sector.** PFC also supports the **Disaggregated Data Action Plan** announced in Budget 2021 through Statistics Canada and the CRA. These agencies need additional and permanent resources both to collect, analyze and share sector data as well as to **improve Form T3010**.

Overhauling Form T3010 used by charities to report their activities to the CRA, mandating online filing, reporting on investments and diversity at the leadership and board levels are necessary to support greater transparency, better data and more impactful philanthropy overall. Statistics Canada's report on **Diversity of Charity and non-profit Boards of Directors** illustrates **the importance and utility of data in both shaping the sector and gauging its impact**. Such data collection should be incorporated into T3010 reports on an ongoing basis rather than as one-off reports. Many instances of DQ non-compliance may be due to poor understanding of Form T3010; a simple, low-cost and effective means to boost DQ compliance therefore is through modest changes to Form T3010 to help charities correctly calculate their minimum disbursement obligations and to provide greater visibility on whether they are meeting the DQ. Included in annex to this report we provide detailed recommendations aimed at improving Form T3010.

PFC proposes these three enabling conditions as necessary pre-conditions to meeting the government's objective of boosting charitable spending in communities. We look forward to engaging in both the technical aspects of the Finance Canada consultation on the DQ (see specific responses below), and to welcoming further engagement with CRA, Statistics Canada and ESDC in order to build and leverage the impact of the philanthropic sector to best serve societal needs, Canadians and their communities.

PART 2 – PFC'S RESPONSE TO QUESTIONS IN THE GOVERNMENT BACKGROUND PAPER

With the fundamentals of our position outlined above in the section "A Holistic Approach to Boosting Charitable Spending in Communities", the second section of the PFC submission directly addresses the six "Key Considerations" put forth in Finance Canada's Background Paper regarding which "feedback is being sought."

1. SHOULD THE DISBURSEMENT QUOTA BE RAISED TO PRODUCE ADDITIONAL FUNDING FOR CHARITIES, AND TO WHAT EXTENT?

Yes. PFC supports a Disbursement Quota (DQ) increase as part of a package of policy measures aimed at boosting charitable spending in communities. PFC takes a holistic view of the DQ as we recognize that it is but one aspect of the fundamental role of philanthropy in promoting the common good. There are many factors that go into delivering on our mission and our members take these responsibilities seriously. The DQ is a necessary but far from exclusive factor in philanthropic foundations' impact. We believe that, in order to modernize the sector, particularly post-pandemic, the issue goes far beyond the percentage of assets to be disbursed. It is about philanthropy's moral responsibility to society: doing more, doing better, and doing it right.

As such, it underscores the need for a diverse, transparent and accountable sector as well as inclusive and informed decision-making. Philanthropy's collective responsibility also requires ongoing encouragement of innovative and different operating models, including the role and impact of endowments in supporting the public good – ranging from addressing immediate needs to systemic challenges and future crises. Changes are already underway in the sector, and we welcome the opportunity to have government policy support those changes.

In light of the above and based on historical evidence as well as future modelling, PFC's position with respect to the DQ is as follows:

- **PFC supports increasing the DQ floor** as part of philanthropic foundations' fundamental obligation to serve the common good by meeting both immediate and longer-term challenges.
- **PFC endorses a minimum DQ of 5%** - representing a 43% increase over and above the current 3.5% DQ
- **PFC recommends a periodic review** (e.g. every five years) of the DQ **according to a data-driven formula that** promotes philanthropic impact and **precludes capital accumulation in endowments**. The periodic review should include an analysis of a rolling five-year average of inflation, and actual returns and liquidity for a responsible and balanced investment portfolio.[2]
- **PFC recommends a reasonable transition period** to the new DQ regime in order to allow foundations not only to increase their granting, but to encourage diversification beyond existing partners to include communities that are under-served and under-funded. A transition period is also required for the federal government, in collaboration with provinces, to provide legal pathways for trusts

[2] As a floor for disbursing assets, the DQ should reference long-term rates of returns for prudent and diversified investment practices by endowed foundations. As such, the DQ is best calculated on the basis of a formula that is revised and revisited on a periodic basis. We encourage the federal government to consider a formula along these parameters: DQ = responsible investment indexed net returns – average inflation – reasonable operating costs.

and foundations that are legally prohibited from encroaching on their capital to comply with the new DQ regime.

***How PFC arrived at 5%**

PFC has done extensive work regarding various specific DQ rates. In May, a survey was carried out by a third party on foundations' disbursement quotas and investment practices. Analysis of the survey yielded some initial insights into the anticipated DQ increase. 91% of respondents to the survey were PFC members, and 9% were some of Canada's largest non-member foundations. Most respondents (73%) have a policy guiding their foundation's disbursement of assets and, importantly, most foundations exceed the current DQ of 3.5% as outlined Table 1, which summarizes respondents' grant disbursements from 2018-20. Note that from 2010 to 2018 (a period for which we have more extensive data, the actual DQ rate was 4.2%.

Table 1 - Foundations' Grant Disbursements

Amount | Year	2018	2019	2020
Less than 3.5%	23%	23%	16%
3.5 %	12%	7%	9%
More than 3.5%	63%	67%	75%

Regarding a permanent increase to the DQ, 76% indicated that a DQ of 4.5% would be sustainable; 56% indicated that a DQ of 5% would be sustainable; and 17% view 7% as sustainable. These results roughly align with the results from the short survey done in March of PFC's 25 largest members by assets.

PFC also reviewed historic analysis of investment yields across different asset classes. We commissioned a report from PwC to assess the short- and long-term impacts on funding outflows from increasing the DQ: particularly how grants may be affected over 5-year,10-year and 20-year horizons, and possible impacts on investment strategies and investment returns as they affect the sustainability and stability of the charitable sector and its ability to serve the public. This data largely corroborates analysis done elsewhere, notably by the Council of Michigan Foundations.

At a 3.5% DQ, there has been some capital accumulation within endowments since the decrease in the DQ came into effect in 2009. Under the strong market performance since 2009, the DQ can increase while still sustaining endowments for the long term (for foundations that choose this path). A 5% DQ rate is at the margins of sustainability for many of our members. In particular, for smaller foundations and those with more conservative investment portfolios, there is the real risk of erosion of capital over time. Notwithstanding the fact that a DQ floor of 5% would represent a stretch for many philanthropic foundations, **we recommend this rate based not only on the evidence we have gathered; it reflects our values and aspirations as a sector to meet both current and future needs**.

A separate study (in annex to this submission) determined that disbursements by a significant proportion of Canadian charitable foundations tended to pool around the

DQ. Consequently, the adjustment of the DQ from 4.5% to 3.5% in 2004 showed an accompanying decline in disbursements as a percentage of total assets.[3]
Since 2004, the steady growth in charitable foundation assets has also meant a steady decline in distribution as a percentage of total assets. PFC interprets this data as showing both that the disbursement quota rate does impact disbursements, and that **Canadian charitable foundations are in a position to increase disbursements.**[4]

2. Would it be desirable to increase the disbursement quota to a level that causes foundations to gradually encroach on investment capital, and would it be sustainable in the long-term for the sector?

No. Unless the Government of Canada is prepared to take the position that all foundations must spend down all of their assets within a prescribed time frame, those that choose to support and be engaged in multi-generational work should be able to do so through sustainable and responsible investment practices. This would require a much more extensive conversation about the role of endowment funds, including the thousands that already exist across the country.

PFC supports a diversity of models of philanthropic foundations, and we are committed to increasing the level of awareness and strategic choices involved in different foundation models. The policy landscape – notably the DQ – should allow both spend-down and long-term foundations to flourish. For those foundations that operate on a **spend-down or limited-lifetime model**, the DQ level is less relevant as their *raison d'être* is premised on a rapid pay-out rate – usually within a generation – that would likely exceed even a high DQ. More work can and should be done to learn from and build on this emerging model of philanthropy. An increasing number of foundations are on a spend-down path (unless they receive additional large gifts to compensate for the erosion of their capital). For those that are endowed and operate on the basis of long-term engagement, a DQ that regularly encroaches on capital is not desirable.

PFC's support for a minimum 5% DQ recognizes the reality that the predominant model in the philanthropic sector, including the majority of PFC members, remains a multi-generational model. From our analysis, an increase of the **DQ to 5% falls within the narrow range that yields *both* higher aggregate granting *and* a reasonable path for long-term sustainability for foundations that wish to pursue multi-generational impact**. An increase of the DQ to 5% would likely require most foundations to encroach on investment capital during recessionary periods. Nonetheless, over the long term (i.e. a period of 20 to 25 years), a 5% DQ would still allow foundations a reasonable chance to maintain their capital (for both their granting and investments**)** for long-term engagement. **The periodic review combined with the proposed formula (outlined under Question 1 above) would ensure that capital accumulation does not occur** or adjust the rate if investment performance has been poor over a five-year period. Furthermore, the review would provide key insights into the relationship between the composition of an investment portfolio, the returns, the impact on liquidity and capacity to grant.

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[3] N. Grasse & E.A.M. Searing, *Foundations, Assets, and the Disbursement Quota – 2000 to 2017: A Study of Canadian Foundations* (2021). Carleton University.
[4] Searing, E. A. M., & Grasse, N. (2021). *The U.S. Form 990 User's Guide to the Canadian T3010*. Carleton University.

Based on a sensitivity analysis of many PFC members and other Canadian foundations, **a DQ at 7% or more would result both in less granting over time as endowments decline (by design through an increased DQ, *ceteris paribus*) and in less impact investing by foundations as longer-term returns on their investments become less desirable**. The result ultimately runs counter to the policy outcome sought – that is to boost charitable spending in communities.

As with governments of all sizes, philanthropic foundations require both operating and capital accounts – with the Québec Fonds des Générations and Alberta's Heritage Savings Trust Fund as two contrasting domestic examples and Norway's Sovereignty Fund as a compelling foreign model. For many foundations, the capacity to maximize engagement over a long period of time (i.e. operating account) is directly related to the returns and new transfers to their endowment (i.e. capital account).

A diversity of philanthropic models is key to addressing critical issues today, while ensuring resources are also available to tackle long-term challenges. PFC's view is that those **foundations that choose to support and be engaged in inter-generational work as well as persistent or unforeseen problems should be able to do so through sustainable and mission-related investment practices**. PFC also believes that **foundations that desire to maximize their impact over the short term and opt to spend down their assets should be encouraged and supported to do so.**

The Government may want to consider incentivizing foundations who choose to operate at a high payout rate or investing in public goods. For example, charitable assets that have been placed in impact investment projects could be removed up to a cap from the DQ calculations. PFC would welcome the opportunity to work with the government on policy changes aimed at unlocking more philanthropic capital in a way that complements – not replaces – the increased granting targeted by a higher DQ. Above all, PFC would welcome the opportunity to work closely with government to advance a realistic and responsive policy framework that recognizes and respects the diversity of approaches and timelines adopted by the philanthropic sector in advancing the common good while the sector diversifies and modernizes.

3. What additional tools (e.g., monetary penalties or other intermediate sanctions) should be available to the CRA to enforce the disbursement quota (DQ) rules?

PFC does not believe that additional tools would be required and encourages the CRA to employ the full range of those – both carrots and, when necessary, sticks – at its disposal. PFC supports the Canada Revenue Agency's "Education First" strategy in ensuring compliance. However, this strategy requires additional resources to become more effective.

The CRA already has the ability to apply monetary penalties to charities for non-compliance with regulatory requirements, albeit none of these are specifically designed for non-compliance with the DQ. If the CRA Charities Directorate identifies non-compliance, it can require the registered charity to make additional disbursements or, in extreme cases, can revoke the registration of the charity. Monetary penalties take dollars out of the charitable sector by forcing spending in excess of the DQ, potentially harming the financial sustainability of charities. Revocation has been treated as a last resort for much the same reason, as it risks taking funds out of the charitable sector. Furthermore, the legal and financial costs to the regulator in enforcing these regulations can be substantial. For these reasons, CRA seldom applies monetary penalties or revocation.

PFC recognizes that compliance is an issue that requires attention. We encourage greater transparency and compliance both through regular reporting by and ongoing education of foundations. PFC also **calls on the federal government to invest in simpler DQ calculations rules** (aligned with the periodic review), **audit functions and address data deficits in reporting** (in annex to this submission, please see our detailed recommendations regarding Form T3010, the form used by charities to report their activities to the CRA. Not only does a significant proportion of Form T3010 returns contain mistakes, many instances of DQ non-compliance are due to poor understanding of. A simple, low cost and effective means to boost DQ compliance therefore is through changes to Form T3010 to help charities correctly calculate their minimum disbursement obligations and to provide greater visibility on whether they are meeting the DQ. A major benefit of this change is that compliance could be increased without the need to provide a huge boost to the CRA resources dedicated to this issue (e.g., either upon initial processing of Form T3010 or through an increase in the number of charity tax audits undertaken each year). In this regard, the "carrot" could more important and effective than the "stick."

Registered charities currently do not have clear guidance on how to calculate their DQ obligations from the information supplied on Form T3010. Reproducing the guidance on the "disbursement quota calculation" found on CRA's website and in Guide T4033 within Form T3010 or as a supplementary schedule to Form T3010 could improve reporting compliance by charities, especially with respect to how to compute "assets not used in charitable activities or administration" (i.e., Lines 5900 and 5910).

Integrating the DQ formula within Form T3010 or on a supplementary schedule, once Line 5900 and Line 5910 are computed, would allow the charity to understand the amount of required disbursements, impact of gifts or grants from related charities and of permission to accumulate provisions (if any) on the DQ obligation, and what expenditures are qualifying expenditures for the following fiscal year. This would ultimately help charities and foundations to understand the extent to which their resources and assets are to be used to fulfil their charitable mandates, help CRA identify non-compliance risks, and help charities manage their investment assets and plan their spending on qualifying expenditures in subsequent years.

The threat of penalties and revocation should remain, and they must be enforced by CRA in cases of egregious non-compliance – particularly without proper cause or prior authorization. CRA should have the necessary resources to pursue these cases that undermine the credibility and impact of the sector. Nonetheless, sanctions alone would not be sufficient to maintain the integrity of the regime. The primary focus should be to better support improved reporting. Please see our detailed recommendations for improving Form T3010 in annex to our submission.

In addition, PFC is committed to partnering with the CRA to improve understanding by foundations of their responsibilities and to avoid common misunderstandings and mistakes in filling Form T3010.As per our enabling condition on addressing the data deficit, transparency and accountability are fundamental to maintaining the integrity of the charitable system and the trust of Canadians as well as to improve learning and planning.

4. *DO THE RELIEVING AND ACCUMULATION OF PROPERTY PROVISIONS CONTINUE TO BE USEFUL FOR CHARITIES?*

Yes. While this matter seldom applies to our membership, PFC believes that these provisions continue to be useful for some charities. Permission to accumulate property provisions allows a registered charity to seek approval from the CRA to raise and accumulate significant funds for large scale charitable projects (such as capital infrastructure projects and capital asset acquisitions) and defer the charitable spending of those funds until a later future period, without triggering disbursement shortfalls in the fundraising charity during the accumulation periods. This is mechanically achieved by permitting the charity to exclude funds accumulated for the specific project during all taxation years covered by the permission plus any income earned on accumulated funds during all taxation years covered by the permission less accumulated funds spent during the permission periods, from the charity's unused assets calculation.

A request to accumulate property is done on a specific case basis, and typically is pursued by a charitable organization who has a large-scale project that requires significant funds to be raised in advance of the charitable spending or by a charitable foundation that specifically exists to raise funds for that charitable organization. Authorization for permission to accumulate property is not sought out with any regularity by registered charities (including by charitable foundations whose primary purpose is to support other qualified donees through grant-making activities). In 2019, approximately 769 of 83,521 charitable organizations (0.9%) undertook fund-raising that was subject to authorization by the CRA.

Given that the permission to accumulate property provisions plays an important role in the facilitation of large capital projects, we recommend these provisions be maintained in their current form.

5. *DO THE EXISTING CARRY-FORWARD PROVISIONS STRIKE THE APPROPRIATE BALANCE BETWEEN ENSURING THE TIMELY DISBURSEMENT OF FUNDS AND ALLOWING FOUNDATIONS TO MAKE LARGE GIFTS ON A MORE INFREQUENT BASIS?*

Yes. PFC's central concern is one of principle: as with the data-driven formula we propose for reviewing the DQ on a periodic basis, the goal is to promote philanthropic impact while precluding capital accumulation. Canada has provisions around the smoothing of disbursements over time, allowing registered charities to carry forward disbursement excesses for five subsequent taxation years and permitting to use those accumulated excesses to make up for disbursement shortfalls in any of those five subsequent years. These provisions are similar to those currently in place in the United States.

In our experience, charitable foundations find the flexibility allowed by these provisions to be valuable including, but not limited to, being able to accumulate resources in order to fund (a) significant charitable projects in one particular year and (b) multi-year programs based on the program's budgetary needs and not based on the funding charity's DQ requirements.

PFC has seen no evidence that carry-forward provisions affect the timely deployment of resources into the charitable sector. For example, if the concern is that charitable foundations make use of these provisions to reduce disbursements when the economy is in recession (when investment returns tend to be weaker), the latest PFC survey data suggests the opposite is the case. In the most recent PFC survey, responding charitable foundations increased their disbursements in FY2020 relative to previous years with 76% reporting that they exceeded the 3.5% DQ in FY2020 up from 60% in FY2018 and 70% in FY2019.[5]

6. ARE THERE ANY TEMPORARY CHANGES TO THE DISBURSEMENT QUOTA THAT SHOULD BE CONSIDERED IN THE CONTEXT OF THE COVID-19 RECOVERY?

At this stage of the COVID recovery, PFC's view is that no temporary changes are needed to the DQ – provided this is subject to periodic review as proposed in response to Question 1 above**.** In conjunction with its PFC's support for an increase of the minimum DQ from 3.5% to 5%, going forward, this floor should be reviewed periodically (every 5 years) and set according to a data-driven formula that both maximizes philanthropic impact and precludes capital accumulation in endowments.

In the context of the COVID-19 response and recovery, PFC has called on all its members in particular, and the philanthropic sector in general, to be as generous as possible for as long as possible. Institutional giving needs to step up more than ever not only to respond to greater need, but to compensate for the decline in individual giving. The sector can play a modest counter-cyclical role during crises. And while foundations have stepped up in extraordinary ways, private philanthropy cannot – and has never purported to – replace governments. The combined total of all assets held by foundations (approx. $92B) in 2019 represents less than four months of all spending by the Government of Canada in the 2019-20 fiscal year – before COVID hit. Those private assets are further dwarfed by the unprecedented spending in response to the pandemic.[6]

In sum, it would be a serious policy mistake to view the foundation capital assets as an alternative to government leadership and the significant public spending required during these unprecedented times.

Rather than quick fixes and narrow policy prescriptions, what is needed is a policy reform agenda aimed at modernizing the whole non-profit and charitable sector so that it can continue to serve the common good and, ultimately, fulfill its social contract with communities across Canada.

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[5] Investment & Disbursement Survey. (2021). *Millani & Philanthropic Foundations Canada*.
[6] Lasby, D., & Barr, C. (2018). *30 Years of Giving in Canada - The Giving Behaviour of Canadians: Who gives, how, and why?* Rideau Hall Foundation & Imagine Canada. Retrieved September 24, 2021.

About Philanthropic Foundations Canada

Created in 1999, Philanthropic Foundations Canada (PFC) is a national charitable organization that strengthens Canadian philanthropy in all its diversity and in its pursuit of a just, equitable and sustainable world. PFC represents over 130 grant-making organizations – notably public and private foundations created by families, corporations, communities and other entities – ranging in size from relatively small ($1 million in assets) to relatively large (over $23 billion). Together, our members collectively manage $36 billion in assets – representing 39% of the $92 billion in assets of all 10,646 foundations (both private and public) in Canada. In 2018, current PFC members made over $841 million in grants and over $393 million in foundation-managed charitable activities.

ANNEX 1 – PFC Recommendations regarding T3010 Form[7]

This annex to PFC's submission to the Government of Canada addresses several key issues that have been identified regarding the Form T3010. The Form T3010 is simple and easy to use relative to similar forms in other jurisdictions. However, it is recommended that changes could be made to improve both accountability and transparency, enabling greater insight into Canada's charitable sector, while maintaining the simplicity of reporting for charitable foundations, and ultimately maximizing social impact. They are:

1. Improve clarity and tracking of DQ calculations
2. Reduce ambiguity of reported information concerning charitable activity and social impact
3. Include mechanisms for reporting on long-term investments
4. Require reporting on donor-advised funds (DAFs)
5. Provide for better reporting on work with non-qualified donees (NQDs)
6. Reduce ambiguous information
7. Improve overall data integrity
8. Require reporting leadership diversity

1. Improve clarity and tracking of DQ calculations

A lack of clarity regarding DQ calculations on the form hinders reporting quality and disbursement compliance. If DQ compliance is to be supported, then the Form T3010 should be amended in some if not all of the ways outlined below.

Guidance on how to perform the necessary calculations should be reproduced in the Form T3010. This applies particularly to Lines 5900 and 5910. Currently, guidance on performing these calculations can only be found on the CRA's website, the Guide T4033, and on a supplementary schedule for the Form T3010. Containing this information within the form would expedite and reduce errors in reporting. It will also allow for charities to calculate their disbursements for the following year and better manage their resources and assets to meet their charitable mandates.

There is a need for clarity and transparency in Sections C8 and C9 in terms of compensation for directors/trustees, officers, persons not at arms-length, and employees of a charitable foundation. In particular, Section C8 does not offer any breakdown of compensation amounts and the purposes for compensation, while this is required for employees under Section C9 and Schedule 3. It can be added that capital accumulated beyond the disbursements during a taxation year can also be reported to show its different sources. This could provide analysts with a better understanding of where accumulated capital originates from.

2. Reduce ambiguity of reported information concerning charitable activity and social impact

[7] PFC's recommendations draw on research conducted by Nathan Grasse (Associate Professor at Carleton University's School of Public Policy and Administration), Elizabeth Searing (Assistant Professor of Public and Nonprofit Management at the University of Texas at Dallas), and work it commissioned of PwC.

Information requested on charitable activity and social impact can be ambiguous or lacking. Currently, the Form T3010 only includes data on aggregate expenditures by business number. As such, the only measure of impact is the monetary amount spent by a charity. The Form T3010 could be amended to collect data that better assists the government, funders and the wider non-profit and charitable sector to understand how money is being invested back into community. The government should explore and co-create with the non-profit and charitable sector amendments to the T3010 (but also other reports from StatsCan) to capture the diversity of mandates, leadership and beneficiaries of organizations and programs receiving funding, especially as they pertain to support for equity-seeking communities.

3. Include mechanisms for reporting on long-term investments

The Form T3010 lacks reporting around long-term investments. The lack of disaggregated data concerning investments (by geography, class, purposes, and others) can lead to several problems.

Inputs from the Form T3010 cannot easily be used to calculate unused assets. To facilitate the easy calculation of unused assets, Line 4140 can be broken down into asset classes, such as publicly-listed securities (held as investments only), program-related securities, social impact securities, non-qualifying securities, and other assets.

Furthermore, the aggregate data does little to show market fluctuations, or how the DQ could be adjusted accordingly. Section D and Schedule 6 could specify disclosure of unrealized gains and losses on invested assets held by charities at the taxation year-end. This would indicate the change in market value and volatility of invested assets held by charitable foundations while also providing transparency and the opportunity for periodic adjustments to the DQ rate in accordance with market conditions and investment risk profile.

Clarity could also be provided on the degree and nature of charities' investments that have a social purpose, including socially responsible investments (SRIs), mission-related investments (MRIs), program-related investments (PRIs). Presently, Line 4400 of Section D and Line 4130 or 4140 of Schedule 6 make no distinction between lower-yield PRI and market rate of return MRIs. Greater specificity would allow charitable foundations to be provided with guidance on how to maximize social impact while remaining sustainable. Furthermore, this would allow for greater transparency and public input into where funds should be disbursed.

4. Require reporting on donor-advised funds (DAFs)

Presently, there are no specific reporting requirements for donor-advised funds. The addition of new reporting requirements could improve transparency, as well as provide the public and charity regulator with better insights as to how DAFs are managed and how funds are deployed into the non-profit and charitable sector. If a charity maintains a DAF whereby the donor is granted a non-binding right to provide advice on future grants, the following information in its T3010 Return should be made compulsory.

The information collected by the Form T3010 could include total DAF endowed asset value (fair market value) at end of a taxation year and at the end of the immediately preceding taxation year: aggregate value of DAF contributions received in a taxation year; aggregate value of grants/gifts to qualified donees from DAF accounts during a taxation year; number of DAF accounts at the end of a taxation year; aggregate value of endowed contributions received in a taxation year; total DAF account value at the end of the taxation year and end of the immediately preceding taxation year; and aggregate disbursements of net income arising from endowed funds during a taxation year.

5. Provide for better reporting on work with non-qualified donees (NQDs)

There is a lack of opportunity for full disclosure on the Form T3010 for charities engaging in partnerships with non-qualified donees. Registered charities currently work through fee-for-service contracts, in trusteeship and shared platforms arrangements, and may also provide investments to NQDs. However, even when the activity conducted by the NQD is charitable in nature, it is not always reflected in the reporting of the charity's activity spending. Often, funds to NQDs flow through qualified donees, and are reported in the latter's tax filings as donations, or as salaries in the case of service agreements. However, this process is not always transparent with regard to where the funds are spent. The Form T3010 could ask additional questions, such as:

- Did the charity invest in or contribute resources to a joint venture or similar arrangement with a non-qualified donee during the taxation year or contract a non-qualified donee to carry out charitable activities on its behalf?
- If YES, is this an investment of the charity or a charitable program-related arrangement?
- If YES to a charitable program-related arrangement, provide details on the nature of the arrangement, charitable purpose that the amounts contributed fulfil, if any.
- If YES to a social impact investment, provide details on the nature of the investment, charitable purpose that the amounts invested fulfil, if any.

6. Reduce ambiguous information

Much of the publicly available data collected through the Form T3010 is ambiguous and difficult to understand. This could be an impediment to anyone trying to analyze the data, CRA included, and any data-driven policies derived from the Form T3010.

There is no distinction between an incomplete entry and entering a zero, which limits studies of the distributional characteristics such as means and medians. Revenue thresholds – which determine whether Section D or Schedule 6 is filed – is unclear. For example, asking for "gross revenues" is a term not used elsewhere in the document. Similarly, charities are not required to report unused assets if they fall below the threshold listed at the top of Section D. An incomplete Schedule 6, or having Section D also being completed, makes it unclear if charities are below the threshold or simply did not understand or respond to the question properly.

Line 5900 and Line 5910 require references to *Income Tax Regulations 3701 and 3702* for proper computation of the average value of assets not used in charitable activities or administration in the preceding 24 months. A supplementary schedule to assist with computation would improve the quality of information and compliance with the conditions set forth in the Income Tax Act.

The Form T3010 also fails to make a distinction between management fees and other costs incurred by charitable foundations. Depending on their size, these fees can pose an impediment to disbursement maximization. These fees should be better understood in order to advise charitable foundations on how best to reduce them. This will enable comparisons between charitable foundations, from which an understanding of what constitutes reasonable management fees will emerge. In the Form T3010, these fees can be broken down, which will contribute to the overall transparency and accountability of charitable foundations.

Finally, it can be noted that the two foundation indicator questions A3 are unclear, and have no clear relation to the questions in Schedule 1.

7. Improve overall data integrity[8]

The data provided by the Form T3010, although valuable, is not always credible and usable for research purposes. Confusing phrasing, as well as lack of clarity on formulas and calculations, results in incorrect information being reported unintentionally. The following outlines the sections of the Form T3010 that must be remedied if the data gained from the form is to be more useful.

Integrating the DQ formula within Form T3010 or on a supplementary schedule - once Line 5900 and Line 5910 are computed – would allow the charity to understand the amounts of required disbursements for the current year and following year and what expenditures are qualifying expenditures for the following fiscal year. The form should also include a place where net assets can be listed, allowing the balance sheet figures to form the fundamental equation of accounting so that it can double-check itself (assets = liabilities + net assets). This can potentially improve the error rate when filing the Form T3010. Line 4166 could also be changed to add clarity, either noting in the document that amortization should be represented as a negative number that offsets the capital assets, or by making the calculation automatically as a deduction.

Checkboxes could also be very useful, for example to help an organization determine if it would be filling out Section D or Schedule 6 (both of which should also have their variables harmonized, as with the line on government subtotals, or types of revenues). This would allow for a smoother imputation of zeros. Checkboxes could also be included to clarify whether the return is amended, and a stub accounting period or partial return.

For monitoring and research purposes, it should also identify zeros as distinct from missing information. Similarly, reporting on volunteer activity could provide an understanding of cash versus in-kind contributions to a registered charity. Separate column offsets for numbers that need to be treated differently, such as negatives, could also provide clarity as to how the DQ is calculated.

[8] Searing, E. A. M., & Grasse, N. (2021). The U.S. Form 990 User's Guide to the Canadian T3010. Carleton University.

For section D, more information on the assets and liabilities of smaller organizations could also be required. Guidance could be provided for what does and does not constitute a fundraising expense, setting out a clearer standard, as is also the case for the section on amortization. More information could also be required on liabilities. Even in Schedule 6, it is unclear whether a charity is taking on a line of credit or a mortgage, both having different implications for future financial health. Q&A assurances should be offered for issues such as the fact that the two foundation indicator questions do not match.

When calculations are incorrect, they should be automatically flagged in the Form T3010 so that users can make corrections. To mitigate this, advanced instructions should be provided to charities.

8. Require reporting on leadership diversity

The Form T3010 should also capture whether registered charity and their qualified donees have target beneficiaries in its leadership. This would improve transparency and accountability, and enable donors to better identify the organizations that are best suited to meet the needs of the target group.

As part of the Form T3010, registered charities should identify the beneficiaries of charitable programmes (by identifiable group), and whether qualified donees are also led by the target beneficiaries. At a minimum, senior staff and board of directors should all be included. There should also be an opportunity to provide qualitative aspects of programming. The output would not be a prescriptive definition of an equity-led organization, but it would provide open data to better understand equity in the charitable sector. This could reveal gaps in how social support is provided, identify underserved groups, and stimulate donations to charities addressing specific issues.

Further Notes

In many instances, DQ non-compliance can be attributed to a poor understanding of the form used by charities to report their activities to the CRA and the flaws with the form itself. The aforementioned changes to Form T3010 present a low-cost way to improve compliance, improve transparency and accountability, and strengthen the non-profit and charitable sector in Canada.

CRA may incur additional costs in its pursuit of greater automation and data-entry support. Sourcing software that can handle the direct upload of the Form T3010 (ideally in electronic form) and process it without copy errors would be strongly advisable. In addition to more accurate data, this will also facilitate more expedient availability, and subsequently more responsive research and policy.

2021 Form T3010

Canada Revenue Agency / Agence du revenu du Canada

Registered Charity Information Return

Protected B when completed

Section A: Identification

- To help you fill out this form, refer to Guide T4033, Completing the Registered Charity Information Return. It can be found at **canada.ca/cra-forms**.

Note: Even if a charity is inactive, an information return must be filed to maintain its registered status.

Complete the following:

1. Charity name:

2. Return for fiscal period ending: Year Month Day

3. BN/registration number: RR

4. Web address (if applicable):

A1 Was the charity in a subordinate position to a head body? .... 1510 ☐ Yes ☐ No
If yes, give the name and BN/registration number of the organization.

Name	BN (9 digits, 2 letters, 4 digits. Example: 123456789RR0001)

A2 Has the charity wound-up, dissolved, or terminated operations? .... 1570 ☐ Yes ☐ No

A3 Is the charity designated as a public foundation or private foundation? .... 1600 ☐ Yes ☐ No

If yes, you **must** complete Schedule 1, Foundations. To confirm the charity's designation, go to **canada.ca/charities-list** and refer to the charity's detail page.

Section B: Directors/trustees and like officials

B1 All charities must complete Form T1235, Directors/Trustees and Like Officials Worksheet. Only the **public** information section of the worksheet is available to the public.

For charities subject to the Ontario Corporations Act.

As of May 15, 2021, the Canada Revenue Agency no longer collects this information on behalf of the Ontario Ministry of Government and Consumer Services. For more information on filing an Ontario annual information return, visit ontario.ca/businessregistry.

Note: If you would like these individuals to have the authority to communicate with the CRA on behalf of your charity, their name must also appear as an owner for your Business Number (BN). For more information, go to **canada.ca/charities-giving**, select "Operating a registered charity," then "Making a change to your organization" and see "Change director."

Section C: Programs and general information

C1 Was the charity active during the fiscal period? .... 1800 ☐ Yes ☐ No
If no, explain why in the "Ongoing programs" space below at C2.

C2 Describe all **ongoing** and **new** charitable programs the charity carried on during this fiscal period to further its purpose(s) (as defined in its governing documents). "Programs" includes all of the charitable activities that the charity carries out on its own through employees or volunteers as well as through qualified donees and intermediaries. The charity may also use this space to describe the contributions of its volunteers in carrying out its activities, for example, number of volunteers and/or hours. **Do not** include the names of employees or volunteers. Grant-making charities should describe the types of organizations they support. **Do not** describe fundraising activities in this space.

Do not attach additional sheets of paper or annual reports.

Ongoing programs

New programs

T3010 E (21) Version A

(Ce formulaire est disponible en français.)

Canada

Registered charities may make gifts to qualified donees. Qualified donees are other registered Canadian charities, as well as certain other organizations described in the Income Tax Act.

C3 Did the charity make gifts or transfer funds to qualified donees or other organizations? **2000** ☐ Yes ☐ No

Important: If **yes**, you **must** complete Form T1236, Qualified donees worksheet/Amounts provided to other organizations.

C4 Did the charity carry on, fund, or provide any resources through employees, volunteers, agents, joint ventures, contractors, or any other individuals, intermediaries, entities, or means (other than qualified donees) for any activity/program/project outside Canada? **2100** ☐ Yes ☐ No

Important: If **yes**, you **must** complete Schedule 2, Activities outside Canada.

C5 Public policy dialogue and development activities

This question has been removed.

C6 If the charity carried on fundraising activities or engaged third parties to carry on fundraising activities on its behalf, select all fundraising methods that it used during the fiscal period:

- **2500** ☐ Advertisements/print/radio/TV commercials
- **2510** ☐ Auctions
- **2530** ☐ Collection plate/boxes
- **2540** ☐ Door-to-door solicitation
- **2550** ☐ Draws/lotteries
- **2560** ☐ Fundraising dinners/galas/concerts
- **2570** ☐ Sales
- **2575** ☐ Internet
- **2580** ☐ Mail campaigns
- **2590** ☐ Planned-giving programs
- **2600** ☐ Targeted corporate donations/sponsorships
- **2610** ☐ Targeted contacts
- **2620** ☐ Telephone/TV solicitations
- **2630** ☐ Tournament/sporting events
- **2640** ☐ Cause-related marketing
- **2650** ☐ Other
- **2660** Specify: ____________

C7 Did the charity pay external fundraisers? **2700** ☐ Yes ☐ No

If **yes**, you **must** complete the following lines, and complete Schedule 4, Confidential data, Table 1.

(a) Enter the gross revenue collected by the fundraisers on behalf of the charity. **5450** $ ____________

(b) Enter the amounts paid to and/or retained by the fundraisers. **5460** $ ____________

(c) Select the method of payment to the fundraiser:

- **2730** ☐ Commissions
- **2740** ☐ Bonuses
- **2750** ☐ Finder's fee
- **2760** ☐ Set fee for services
- **2770** ☐ Honoraria
- **2780** ☐ Other
- **2790** Specify: ____________

(d) Did the fundraiser issue tax receipts on behalf of the charity? **2800** ☐ Yes ☐ No

C8 Did the charity compensate any of its directors/trustees or like officials or persons not at arm's length from the charity for services provided during the fiscal period (other than reimbursement for expenses)? **3200** ☐ Yes ☐ No

C9 Did the charity incur any expenses for compensation of employees during the fiscal period? **3400** ☐ Yes ☐ No

Important: If **yes**, you **must** complete Schedule 3, Compensation.

C10 Did the charity receive any donations or gifts of any kind valued at $10,000 or more from any donor that was not resident in Canada and was not any of the following: **3900** ☐ Yes ☐ No

- a Canadian citizen, nor
- employed in Canada, nor
- carrying on a business in Canada, nor
- a person having disposed of taxable Canadian property?

Important: If **yes**, you **must** complete Schedule 4, Confidential data, Table 2, for each donation of $10,000 or more.

C11 Did the charity receive any non-cash gifts for which it issued tax receipts? **Important:** If yes, you must complete Schedule 5, Non-cash gifts.	4000	☐ Yes	☐ No
C12 Did the charity acquire a non-qualifying security?	5800	☐ Yes	☐ No
C13 Did the charity allow any of its donors to use any of its property? (except for permissible uses)	5810	☐ Yes	☐ No
C14 Did the charity issue any of its tax receipts for donations on behalf of another organization?	5820	☐ Yes	☐ No
C15 Did the charity have direct partnership holdings at any time during the fiscal period?	5830	☐ Yes	☐ No

Section D: Financial information

Fill out either Section D or Schedule 6, Detailed financial information.

If any of the following applies to the charity, complete Schedule 6 instead of Section D:
- (a) The charity's revenue exceeds $100,000.
- (b) The amount of all property (for example, investments, rental properties) not used in charitable activities was more than $25,000.
- (c) The charity had permission to accumulate funds during this fiscal period.

Show all amounts to the nearest single Canadian dollar. Do not enter "See attached financial statements." All relevant fields must be filled out.

D1 Was the financial information reported below prepared on an accrual or cash basis?	4020	☐ Accrual	☐ Cash

D2 Summary of financial position:

Using the charity's own financial statements, enter the following:

Did the charity own land and/or buildings?	4050	☐ Yes	☐ No
Total assets (including land and buildings)	4200	$	
Total liabilities	4350	$	
Did the charity borrow from, loan to, or invest assets with any non-arm's length persons?	4400	☐ Yes	☐ No

D3 Revenue:

Did the charity issue tax receipts for gifts?	4490	☐ Yes	☐ No
If yes, enter the total eligible amount of all gifts for which the charity has issued or will issue tax receipts	4500	$	
Total amount of 10 year gifts received	4505	$	
Total amount received from other registered charities	4510	$	
Total other gifts received for which a tax receipt was **not** issued by the charity (excluding amounts at lines 4575 and 4630)	4530	$	
Did the charity receive any revenue from any level of government in Canada?	4565	☐ Yes	☐ No
If yes, total amount received	4570	$	
Total tax-receipted revenue from all sources outside of Canada (government and non-government)	4571	$	
Total **non** tax-receipted revenue from all sources outside of Canada (government and non-government)	4575	$	
Total **non** tax-receipted revenue from fundraising	4630	$	
Total revenue from sale of goods and services (except to any level of government in Canada)	4640	$	
Other revenue not already included in the amounts above	4650	$	
Total revenue (add lines 4500, 4510 to 4570, and 4575 to 4650)	4700	$	

D4 Expenditures:

Professional and consulting fees	4860	$	
Travel and vehicle expenses	4810	$	
All other expenditures not already included in the amounts above (excluding gifts to qualified donees)	4920	$	
Total expenditures (excluding gifts to qualified donees) **(add lines 4860, 4810, and 4920)**	4950	$	
Of the amount at line 4950:			
(a) Total expenditures on charitable activities	5000	$	
(b) Total expenditures on management and administration	5010	$	
Total amount of gifts made to all qualified donees	5050	$	
Total expenditures (add lines 4950 and 5050)	5100	$	

Section E: Certification

This return **must** be signed by a person who has authority to sign on behalf of the charity. **It is a serious offence under the Income Tax Act to provide false or deceptive information.**

I certify that the information given on this annual return and any attachment is, to the best of my knowledge, correct, complete, and current.

Name (print)		Signature
Position in charity	Date	Phone number

Section F: Confidential data

F1 Enter the physical address of the charity and the address in Canada for the charity's books and records. Post office box numbers and rural routes are not sufficient.

	Physical address of the charity	Address for the charity's books and records
Complete street address		
City		
Province or territory and postal code		

F2 Name and address of individual who completed this return.

Name	
Company name (if applicable)	
Complete street address	
City, province or territory, and postal code	
Phone number	Is this the same individual who certified in Section E above? ☐ Yes ☐ No

Privacy statement

Personal information is collected under the authority of the Income Tax Act and is used to establish and validate the identity and contact information of directors, trustees, officers, like officials, and authorized representatives of the organization. This information will also be used as a basis for the indirect collection of additional personal information from other internal and external sources, which includes personal tax information, and relevant financial and biographical information. Personal information will be used to assess the risk of registration with respect to the obligations and requirements as outlined in the Act and the common law. The social insurance number (SIN) is collected under subsection 237 of the Act and is used for identification purposes.

The Canada Revenue Agency (CRA) will make the information on this annual information return available to the public on the Charities Directorate website, except for information identified as confidential. Personal information may also be disclosed under information-sharing agreements and in accordance with section 241 of the Act. Incomplete or inaccurate information may result in compliance measures including revocation of registered status.

Personal information is described in personal information bank CRA PPU 200 and is protected under the Privacy Act. Individuals have a right of protection, access to and correction or notation of their personal information. You are entitled to complain to the Privacy Commissioner of Canada regarding our handling of your information.

Notification to directors and like officials: The CRA strongly encourages the organization to voluntarily inform its directors and like officials that it has collected and disclosed their personal information to the CRA.

☐ I confirm that I have read the Privacy statement above.

Checklist

A charity's complete annual information return includes:

- Form T3010, Registered Charity Information Return, and all applicable schedules
- a copy of the charity's financial statements
- Form T1235, Directors/Trustees and Like Officials Worksheet
- Form T1236, Qualified donees worksheet/Amounts provided to other organizations (if applicable)
- Form T2081, Excess Corporate Holdings Worksheet for Private Foundations (if applicable)

If financial statements are not included, the charity's **registration may be revoked.**

Foundations — Schedule 1

1 Did the foundation acquire control of a corporation? .... **100** ☐ Yes ☐ No

2 Did the foundation incur any debts other than for current operating expenses, purchasing or selling investments, or in administering charitable activities? .... **110** ☐ Yes ☐ No

For private foundations only:

3 Did the foundation hold any shares, rights to acquire shares, or debts owing to it that meet the definition of a non-qualified investment? .... **120** ☐ Yes ☐ No

4 Did the foundation own more than 2% of any class of shares of a corporation at any time during the fiscal period? ...... **130** ☐ Yes ☐ No
If yes, you must complete and attach Form T2081, Excess Corporate Holdings Worksheet for Private Foundations.

Activities outside Canada — Schedule 2

Important: If you complete this section, you **must** answer **yes** to question C4.

For more information, go to canada.ca/charities-giving and see Guidance CG-002, Canadian registered charities carrying on activities outside Canada.

1 Total expenditures on activities/programs/projects carried on outside Canada, excluding gifts to qualified donees .... **200** $ ________

2 Were any of the charity's financial resources spent on programs outside of Canada under any kind of an arrangement including a contract, agency agreement, or joint venture to any other individual or organization (excluding gifts to qualified donees)? .... **210** ☐ Yes ☐ No

If yes, provide details of the amount reported in question 1 on line 200, that the charity transferred to these individuals or organizations in the following table:

Name of individual/organization	Country code where the activities were carried out (see list at the end of Schedule 2)	Amount ($) Show amounts to the nearest Canadian dollar

Important: If you entered information in the table above, you **must** answer **yes** in line 210.

3 Using the table below, enter the countries outside Canada where the charity itself carried on programs or devoted any of its resources.

4 Were any projects undertaken outside Canada funded by Global Affairs Canada? .... **220** ☐ Yes ☐ No

If yes, what was the total amount the charity spent under this arrangement? .... **230** $ ________

5 Were any of the charity's activities outside of Canada carried out by employees of the charity? .... **240** ☐ Yes ☐ No

6 Were any of the charity's activities outside of Canada carried out by volunteers of the charity? .... **250** ☐ Yes ☐ No

7 Did the charity export goods as part of its charitable activities? .... **260** ☐ Yes ☐ No

If yes, list the items exported, their destination, the country code, and their value.

Item exported	Destination (city/region)	Country code	Value (CAN $)

Country codes

AF-Afghanistan	CU-Cuba	KP-North Korea	RO-Romania
AL-Albania	CY-Cyprus	KR-South Korea	RU-Russia
DZ-Algeria	DK-Denmark	KW-Kuwait	RW-Rwanda
AO-Angola	DO-Dominican Republic	KG-Kyrgyzstan	SA-Saudi Arabia
AR-Argentina	EC-Ecuador	LA-Laos	RS-Serbia
AM-Armenia	EG-Egypt	LB-Lebanon	SL-Sierra Leone
AZ-Azerbaijan	SV-El Salvador	LR-Liberia	SG-Singapore
BD-Bangladesh	ET-Ethiopia	MK-Macedonia	SO-Somalia
BY-Belarus	FR-France	MG-Madagascar	ES-Spain
BT-Bhutan	GA-Gabon	MY-Malaysia	LK-Sri Lanka
BO-Bolivia	GM-Gambia	ML-Mali	SD-Sudan
BA-Bosnia and Herzegovina	GE-Georgia	MU-Mauritius	SY-Syrian Arab Republic
BW-Botswana	DE-Germany	MX-Mexico	TJ-Tajikistan
BR-Brazil	GH-Ghana	MN-Mongolia	TZ-United Republic of Tanzania
BN-Brunei Darussalam	GT-Guatemala	ME-Montenegro	TH-Thailand
BG-Bulgaria	GY-Guyana	MZ-Mozambique	TL-Timor-Leste
BI-Burundi	HT-Haiti	MM-Myanmar (Burma)	TR-Turkey
KH-Cambodia	HN-Honduras	NA-Namibia	UG-Uganda
CM-Cameroon	IN-India	NL-Netherlands	UA-Ukraine
CF-Central African Republic	ID-Indonesia	NI-Nicaragua	GB-United Kingdom
TD-Chad	IR-Iran	NE-Niger	US-United States of America
CL-Chile	IQ-Iraq	NG-Nigeria	UY-Uruguay
CN-China	IL-Israel	OM-Oman	UZ-Uzbekistan
CO-Colombia	PS-Israeli Occupied Territories	PK-Pakistan	VE-Venezuela
KM-Comoros	IT-Italy	PA-Panama	VN-Vietnam
CD-Democratic Republic of Congo	JM-Jamaica	PE-Peru	YE-Yemen
CG-Republic of Congo	JP-Japan	PH-Philippines	ZM-Zambia
CR-Costa Rica	JO-Jordan	PL-Poland	ZW-Zimbabwe
CI-Côte d'Ivoire	KZ-Kazakhstan	QA-Qatar	
HR-Croatia	KE-Kenya	RE-Réunion	

Use the following codes for countries not listed above:

QS-Other countries in Africa
QR-Other countries in Asia and Oceania
QM-Other countries in Central and South America
QP-Other countries in Europe
QO-Other countries in the Middle East
QN-Other countries in North America

Compensation — Schedule 3

Important: If you complete this section, you **must** answer yes to question C9.

1 (a) Enter the **number** of permanent, full-time, compensated positions in the fiscal period. This number should represent the number of positions the charity had including both managerial positions and others, and should not include independent contractors. **Do not** enter a dollar amount. .... **300** ____

(b) For the **ten (10)** highest compensated, permanent, full-time positions enter the **number of positions** that are within each of the following annual compensation categories. **Do not** tick the boxes; use numbers.

305 ☐ $1 – $39,999	**310** ☐ $40,000 – $79,999	**315** ☐ $80,000 – $119,999
320 ☐ $120,000 – $159,999	**325** ☐ $160,000 – $199,999	**330** ☐ $200,000 – $249,999
335 ☐ $250,000 – $299,999	**340** ☐ $300,000 – $349,999	**345** ☐ $350,000 and over

2 (a) Enter the **number** of part-time or part-year (for example, seasonal) employees the charity employed during the fiscal period. .... **370** ____

(b) Total expenditure on compensation for part-time or part-year employees in the fiscal period. .... **380** $ ____

3 Total expenditure on all compensation in the fiscal period. .... **390** $ ____

Confidential data — Schedule 4

Important: If you complete this section, you **must** answer yes to question C10.

The information in this schedule is for the CRA's use and may be shared as permitted by law (for example, with certain other government departments and agencies).

1. Information about external fundraisers

Enter the name(s) and arm's length status of each external fundraiser.

Name (confidential)	At arm's length? Yes/No (confidential)

2. Information about donors not resident in Canada

Complete this schedule to report any gift of any kind valued at $10,000 or more received from any donor that was not resident in Canada and was not any of the following:

- a Canadian citizen, nor
- employed in Canada, nor
- carrying on business in Canada, nor
- a person having disposed of taxable Canadian property.

Enter the name of each donor and the value of the gift in the table below. Select whether the donor was an organization (for example a business, corporate entity, charity, non-profit organization), a government or an individual.

	Type of donor (confidential)			
Name (confidential)	**Organization**	**Government**	**Individual**	**Value (CAN $)**
	☐	☐	☐	
	☐	☐	☐	
	☐	☐	☐	

Non-cash gifts — Schedule 5

Important: If you complete this section, you **must** answer yes to question C11.

1 Select all types of non-cash gifts received for which a tax receipt was issued:

500 ☐ Artwork/wine/jewellery	**525** ☐ Ecological properties	**550** ☐ Publicly traded securities/ commodities/mutual funds
505 ☐ Building materials	**530** ☐ Life insurance policies	**555** ☐ Books
510 ☐ Clothing/furniture/food	**535** ☐ Medical equipment/supplies	**560** ☐ Other
515 ☐ Vehicles	**540** ☐ Privately-held securities	**565** Specify: ____
520 ☐ Cultural properties	**545** ☐ Machinery/equipment/ computers/software	

2 Enter the total amount of tax-receipted non-cash gifts .... **580** $ ____

Detailed financial information	Schedule 6

Fill out this schedule if any of the following applies to the charity:
(a) The charity's revenue exceeded $100,000.
(b) The amount of all property (for example, investments, rental properties) not used in charitable activities was more than $25,000.
(c) The charity had permission to accumulate funds during this fiscal period.

Was the financial information reported below prepared on an accrual or cash basis? 4020 ☐ Accrual ☐ Cash

Statement of financial position

Show all amounts to the nearest single Canadian dollar. Do not enter "see attached financial statements." All relevant fields must be filled out.

Assets:

Cash, bank accounts, and short-term investments	4100	$
Amounts receivable from non-arm's length persons	4110	$
Amounts receivable from all others	4120	$
Investments in non-arm's length persons	4130	$
Long-term investments	4140	$
Inventories	4150	$
Land and buildings in Canada	4155	$
Other capital assets in Canada	4160	$
Capital assets outside Canada	4165	$
Accumulated amortization of capital assets	4166	$
Other assets	4170	$
10 year gifts	4180	$
Total assets (add lines 4100 to 4170)	4200	$

Liabilities:

Accounts payable and accrued liabilities	4300	$
Deferred revenue	4310	$
Amounts owing to non-arm's length persons	4320	$
Other liabilities	4330	$
Total liabilities (add lines 4300 to 4330)	4350	$
Amount included in lines 4150, 4155, 4160, 4165 and 4170 not used in charitable activities	4250	$

Statement of operations

Revenue:

Total eligible amount of all gifts for which the charity has issued or will issue tax receipts	4500	$
Total eligible amount of tax-receipted tuition fees	5610	$
Total amount of 10 year gifts received	4505	$
Total amount received from other registered charities	4510	$
Total other gifts received for which a tax receipt was **not** issued by the charity (excluding amounts at lines 4575 and 4630)	4530	$
Total revenue received from federal government	4540	$
Total revenue received from provincial/territorial governments	4550	$
Total revenue received from municipal/regional governments	4560	$
Total tax-receipted revenue from all sources outside of Canada (government and non-government)	4571	$
Total **non** tax-receipted revenue from all sources outside Canada (government and non-government)	4575	$
Total interest and investment income received or earned	4580	$
Gross proceeds from disposition of assets	4590	$
Net proceeds from disposition of assets (show a negative amount with brackets)	4600	$
Gross income received from rental of land and/or buildings	4610	$
Total non tax-receipted revenues received for memberships, dues and association fees	4620	$
Total non tax-receipted revenue from fundraising	4630	$
Total revenue from sale of goods and services (except to any level of government in Canada)	4640	$
Other revenue not already included in the amounts above	4650	$
Specify type(s) of revenue included in the amount reported at 4650	4655	
Total revenue (add lines 4500, 4510 to 4560, 4575, 4580, and 4600 to 4650)	4700	$

Expenditures:

Advertising and promotion	4800	$
Travel and vehicle expenses	4810	$
Interest and bank charges	4820	$
Licences, memberships, and dues	4830	$
Office supplies and expenses	4840	$
Occupancy costs	4850	$
Professional and consulting fees	4860	$
Education and training for staff and volunteers	4870	$
Total expenditure on all compensation (enter the amount reported at line 390 in Schedule 3, if applicable)	4880	$
Fair market value of all donated goods used in charitable activities	4890	$
Purchased supplies and assets	4891	$
Amortization of capitalized assets	4900	$
Research grants and scholarships as part of charitable activities	4910	$
All other expenditures not included in the amounts above (excluding gifts to qualified donees)	4920	$
Specify type(s) of expenditures included in the amount reported at 4920	4930	
Total expenditures before gifts to qualified donees **(add lines 4800 to 4920)**	4950	$

Of the amounts at lines 4950:

(a) Total expenditures on charitable activities	5000	$
(b) Total expenditures on management and administration	5010	$
(c) Total expenditures on fundraising	5020	$
(d) Total other expenditures included in line 4950	5040	$

Total amount of gifts made to all qualified donees	5050	$
Total expenditures (add lines 4950 and 5050)	5100	$

Other financial information

Permission to accumulate property:

Only registered charities that have written permission to accumulate should complete this section.

• Enter the amount accumulated for the fiscal period, including income earned on accumulated funds	5500	$
• Enter the amount disbursed for the fiscal period for the specified purpose	5510	$

Permission to reduce disbursement quota:

If the charity has received approval to make a reduction to its disbursement quota, enter the amount for the fiscal period	5750	$

Property not used in charitable activities:

Enter the average value of property not used for charitable activities or administration during:

• The 24 months before the **beginning** of the fiscal period	5900	$
• The 24 months before the **end** of the fiscal period	5910	$