



**PRE-BUDGET CONSULTATIONS IN ADVANCE OF THE 2022 FEDERAL BUDGET
BRIEF TO THE HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE
SUBMITTED BY PHILANTHROPIC FOUNDATIONS CANADA (PFC)
AUGUST 2021**

Executive summary

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 8.4% of Canadian GDPⁱ and employs 2.4 million people.ⁱⁱ Canada would not be the same without the philanthropic sector – one that is vital to Canada’s economy and society.

The pandemic has proven the value and resilience of the charitable sector. Many traditional sources of fundraising have become scarce even as demand for several charitable services (from shelters and food banks to mental health and domestic violence) is rapidly increasing. In the short and medium terms, the charitable sector is unlikely to rebound at the same rate as other economic sectors thereby reducing both charitable giving and volunteering. The web of connections and services offered by the charitable sector has been tested and is at risk without ongoing recognition, support and a renewed relationship with government.

PFC’s members are increasing their giving to respond to this historic crisis. Since March 2020, foundations have committed more than \$172Mⁱⁱⁱ to addressing the crisis. However, private foundations cannot replace public leadership: the Government of Canada is essential to protecting Canadians and to building the policy framework for an inclusive, safe and sustainable economic recovery. The goal must be partnership in order to strengthen the sector’s diversity and resilience, to address the data deficit so as to better understand the sector, and to create an integrated home within the federal government.

In its 2021 budget, the federal government signaled that it will be reviewing how the disbursement quota is applied in the charitable sector. PFC looks forward to participating in this consultation and to supporting a shift in approach as part of broader efforts to modernize the charitable sector.

In this brief, we make five recommendations to the Federal Government:

Recommendation 1: That the federal government **recognize, track and encourage foundations to better align their capital with their respective missions** and report annually on the makeup of their investment portfolio, including through impact and program-related investing.

Recommendation 2: That the federal government **improve transparency and address the data deficit** regarding the charitable sector.



Recommendation 3: That the federal government **create a level-playing field between all non-profits providing a public benefit** regardless of whether they hold charitable status or not.

Recommendation 4: That the federal government designate a dedicated **“home” for the charitable sector within the machinery of government.**

Recommendation 5: 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 Canadians and communities throughout the pandemic and beyond.

FULL RECOMMENDATIONS

Recommendation 1: That the federal government recognize, track and encourage foundations to better align their capital with their respective missions and report annually on the makeup of their investment portfolios, including through impact or program-related investing (PRI).

Grants constitute only one dimension of foundations’ contributions to the public 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 PRI. Although PRI is rapidly increasing, most foundations still fall far short of this goal.

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 could 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 could be voluntary (at least initially), reporting would become mandatory – alongside any and all investment of assets – through the collection of relevant data via the T3010 or other tools. A pilot period could identify possible issues and any absorption or distorting market issues.

Recommendation 2: That the federal government improve transparency and address the data deficit regarding the charitable sector and continue to invest in data pertaining to the charitable sector through Statistics Canada.

More and better public data is required to fully assess the magnitude, nature and diversity of impacts of the public goods being supported by foundations. PFC believes that the federal government should continue to invest 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 strongly 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 and analyze sector data and improve the T3010.



PFC also recommends that Statistics Canada be allocated a sufficient 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. PFC has identified three key gaps in available data:

- A lack of data pertaining to all incorporated non-profits as well as their areas of impact and funding sources;
- A lack of data pertaining to human resources, making labour force planning more difficult; and
- Annual updates to the Satellite Account of Non-profit Institutions and Volunteering have not been conducted since 2008, thereby diminishing the availability of macroeconomic data essential to policymaking for both the government and the non-profit sector.

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 T-3010 reports on ongoing basis rather than as one-off reports.

Recommendation 3: That the federal government create a level-playing field between all nonprofits providing a public benefit regardless of whether they hold charitable status or not by reforming non-qualified donee requirements as well as supporting the legislative amendments contained in [The Effective and Accountable Charities Act](#) passed by the Senate in June 2021.

PFC data shows that funders are engaging in collaborative efforts to deliver their COVID-19 responses.^{iv} Partnership between the non-profit, charitable and private sectors can have synergistic impacts that surpass what any one sector can achieve on its own.

Yet 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. Indeed, many principles of equity and inclusivity are undermined by the current policy regime: 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. Many of these obstacles are being effectively addressed in [The Effective and Accountable Charities Act](#), which was passed by the Senate in June 2021. In promoting a shift from charitable activities to charitable outcomes, the number and nature of qualified donees would expand to include non-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 encourage the government to support the legislative amendments proposed in The Effective and Accountable Charities Act. 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 non-profit organizations.

Recommendation 4: That the federal government designate a dedicated space or “home” for the charitable sector within the machinery of government.

In support of sustained and strategic engagement between the public sector and the charitable and non-profit sector, PFC joins other leading voices calling for the creation of a dedicated and elevated home for the sector within and across the Government of Canada. This shift is premised on a strong ministerial mandate for whole-of-government coherence in federal policies and strategic investments with respect to the sector. The lack of such a mandate continues to produce piecemeal, uncoordinated and even counter-productive efforts and outcomes.

A dynamic and integrated ecosystem would promote both the partnerships and public good as well as the leverage that come from coordination and collaboration between the charitable sector and the public sector. Building on a long-standing model in Quebec, the British Columbia government led the way on creating a dedicated home and [Parliamentary Secretary](#) in 2020.

The charitable sector needs a ‘home within government’ that would better ensure much-needed access to expertise and up-to-date knowledge, and a natural platform for strengthening sector collaboration and impact.

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, draws on data and evidence, and ensures a constructive role for the sector in partnership with government.

Recommendation 5: That the federal government maintain, enhance and support funding 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 and beyond.

We applaud several 2021 budget provisions, which reflect several policy recommendations PFC submitted to the federal government; in particular, our call to maintain, enhance and introduce 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 and beyond.

The sector is appreciative of the emergency relief that was provided by governments at the outset of the pandemic. However, as these benefits wind down and as any reserves are being depleted, most organizations within the sector will experience the greatest effects of the crisis in late 2021 and 2022 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 are supporting the Indigenous People's Resilience Fund;^v PFC is also 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 and the [Philanthropic Community's Declaration of Action](#).

PFC is also committed to authentically and actively addressing the crisis of anti-Black racism. We applaud the **\$200M established in support of Canada's first Black-led philanthropic endowment fund dedicated to supporting** Black-led, Black-serving and Black-focused organizations. Going forward, we urge the Government to consider proposals by the **Foundation for Black Communities** and other equity-seeking/deserving initiatives to establish 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.

To this end, we also encourage the government to provide more core funding opportunities to the charitable and non-profit sector, and we recommend that departments and agencies cover the full administrative costs associated with delivering the services being funded in transfers to charitable and non-profit organizations. It is also critical that when the government funds non-profit organizations to deliver specific programs, it also covers the full cost of program delivery. The sector has long faced a chronic under-investment in key operational areas, and it must constantly chase project funding rather than improve the quality of core programs and services or invest in long-term initiatives and organizational health. This hinders an organization's ability to pursue its mission and support its community, as well as be nimble in adapting to shifting community needs particularly in times of crisis. The government can start to reverse these trends through the provision of core funding and sufficient administrative funding.

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ⁱ Statistics Canada. (2021). Non-profit institutions and volunteering: Economic contribution, first quarter 2021. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/210628/dq210628c-eng.htm>

ⁱⁱ 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>

ⁱⁱⁱ 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

^{iv} See Note ii

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

^{vi} **About Philanthropic Foundations Canada** www.pfc.ca

Created in 1999, Philanthropic Foundations Canada (PFC) is a national registered charity that strengthens Canadian philanthropy in all of 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 64% of the \$56 billion in assets held by all private foundations in Canada, and 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.