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Government Has a Role in Strengthening Canada's Charities and Non-Profits: Senators Mercer, Omidvar

By Senator Ratna Omidvar and Senator Terry Mercer

Canada's charitable and non-profit sector is the second largest in the world. More than 24 million Canadians — about two-thirds of the population — donated to a charity or non-profit organization in 2013.

But, as generous as Canadians are, there are still underlying challenges in the charitable and non-profit sector, which is in danger of failing the most vulnerable populations.

The number of donors in Canada is on the decline. Charitable and non-profit organizations are struggling to retain enough employees and volunteers to function day-to-day.

A recent report from Canada Helps, a non-profit organization that promotes online fundraising, puts the problem into perspective. It showed that while donations from Canadians reached more than \$9 billion in 2015 — the most ever recorded — donations over the past decade have remained stagnant when inflation is factored in.

The report also revealed the number of families and individuals who claimed donations on their tax returns has dropped consistently. Between 2006 and 2015, the number of families who have claimed donations on their taxes has decreased by 149,000.

Whether it's poverty reduction, cutting-edge research in the fight against cancer, humanitarian aid for victims of natural disasters, or donations to the local school, charities and non-profits provide a vital lifeline to many communities. Because of these vital services that the organizations and their volunteers provide, reliable data is needed.

But data on this sector is severely outdated, so an in-depth review is long overdue.

In January, the Senate created a special committee to study Canada's charitable and non-profit sector and the many challenges it faces.

Since then, we, as members of the Special Senate Committee on the Charitable Sector, have heard from several witnesses from across Canada.

An alarming trend plaguing this sector right now is the aging donor population. Over the past several months, our committee heard from experts in the field who all warned that we need to engage the next generation of donors.

Today, the vast majority of donors to charities and non-profits are older Canadians who are cutting back on their contributions and volunteering as they age. Canadians with a religious background are responsible for the bulk of donations but that segment of the population, too, is on the decline.

According to Statistics Canada, 35% of donors were 55 and older in 2013, up from 29% in 2010.

We also heard that professionals in the sector – from frontline staff to senior executives – are often underpaid and provided with few benefits or pension products.

Peter Elson, a professor at the University of Victoria, spoke from his experience as an executive director of a charity for 15 years.

“At the point of their retirement, the tables get turned and non-profit staff become the ones in need, even though they may have spent their whole careers helping others,” he told committee members.

One of the reasons we are seeing this play out in the charitable and non-profit sector is because governments have increasingly been providing project-based funding rather than core funding for charities and non-profit organizations. This makes it difficult for organizations to retain full-time employees because they never know if the funding will be there for the next project.

How can organizations in the charitable and non-profit sector survive if they can't maintain consistent funding for projects or if they lose valuable talent to the private or public sector?

Some provinces have moved toward triennial funding so that resources are guaranteed for three years instead of applying for funding annually with no guarantee.

But funding challenges go well beyond transfers from government. Witnesses have outlined a number of regulatory barriers that prevent many organizations from launching social enterprises and accessing the capital needed to fuel their innovative solutions.

Our committee also heard about the regulatory challenges charities and non-profits face when applying for charitable status, which can require costly legal expertise to overcome. These challenges include taking the government to the Federal Court of Appeal.

We heard from experts that this process is too cumbersome and costly for charities and non-profits — they believe registration appeals should instead be heard by the Tax Court of Canada.

As recently as two years ago, a Consultation Panel on the Political Activities of Charities, appointed by

the Minister of National Revenue, recommended the *Income Tax Act* be changed so that these kinds of appeals can be heard by the tax court in order to “level the playing field.”

These are just some of the concerns that are being raised as we continue to study the charitable and non-profit sectors in Canada. But our work is not yet finished.

We have launched an online questionnaire asking Canadians to help us better understand the challenges faced by the sector and we anticipate hearing from more witnesses in the coming months before we release concrete recommendations. What our work has already told us, however, is that the charitable and non-profit sectors are in serious danger of falling behind unless the government takes swift action to make it more sustainable and fairer.