Dear Sir:

I have listened to all of the speakers who have appeared in front of the committee with a specific interest on calls being made for legislative changes to charity regulation and the administrative burden some charities face from funders. I wanted to add some further comments to my original submission.

Changes to Charity Regulation

Although these calls for changes are being made with passion and good intentions I am struck at the lack of awareness of the current regulatory environment in which registered charities operate and question how seriously these calls should be taken. I want to reiterate the suggestion in my original submission that any potential changes to policy go under a very thorough and objective examination by qualified external parties.

There are five areas which I feel needs some clarity and comment:

Registered Charities vs. Non Profit Organizations (NPOs) - It is quite common to view these as being one and the same given most registered charities are incorporated as NPOs but there is a distinct difference in how they are treated from a regulatory perspective. Registered charities are the only organization that is held to a public benefit purpose-based level of external regulatory scrutiny; NPOs, regardless of their stated purposes, are not held accountable by federal regulatory oversight for ensuring their resources are being used for public benefit.

Political Activity - In contrast to the narrative repeated by many speakers and other proponents of eliminating the 10% rule, the current policy for registered charities states that making representations to levels government on policy is considered a charitable activity rather than a political one and is not limited by the 10% rule.

Related Business - Charities are fundamentally not businesses as the pursuit of profit can conflict
with the stewardship of charitable resources and activities that provide a public benefit. Any activity undertaken by a charity that introduces an intentional profit motive needs to be done with caution and only in specific circumstances as reflected in current CRA policy. There are no barriers to a charity operating a business as a separate corporate entity in order to pursue surplus funds for its programs.

It is worth noting that “social enterprise” is formally not recognized as being a charitable purpose by CRA. This makes sense as it continues to be a concept that has a broad spectrum of understanding and interpretation, and its promotion, although well intentioned, is undertaken by groups and individuals who only seem to be aware only of what charities are not allowed to do rather than what is allowed under current policy which, in my view, provides reasonable protection of charitable assets from risk. There are no barriers for a registered charity to undertake the varied interpretations of social enterprise either as a charity program such as the ones listed in CRA’s Community Economic Development guidance, as a separate corporate entity, or in partnership with another organization like a for-profit.

**Foundations** - Foundations are allowed to engage in social finance through Program Related Investing. The notion that foundations have “stagnant” capital completely ignores the interest and dividends foundation assets earn from their investments which is used to make grants. Moving those investments to an “Impact Investment” potentially reduces the interest and dividends earned which would lower the amount of funds available for grants. It is also worth noting that individuals can provide loans to registered charities or, as noted above, individuals could invest in a separate business entity operated by a charity.

**Non-Qualified Donees** - Calls for allowing charities and foundations to give charitable assets to non-qualified donees ignores the fact that these entities or individuals do not have any regulatory oversight to ensure their purposes are charitable (i.e. have a public benefit). Registered charities are the only entity that has this oversight; Non Profit Organizations notably do not. Allowing charitable funds to be flowed through to non-qualified donees without reasonable direction and control essentially eliminates regulatory oversight of registered charities. I do agree with the notion that exceptions could be made for charities who expend resources outside of Canada.

**Administrative Reporting**

I realize that lowering the administrative burden for charities is a major theme at these hearings and plays a large role in the discussion of potential legislative changes. I am glad the idea of collaboration, umbrella charities, and merging to reduce administrative expenses is being discussed. As I mentioned in my original brief, it makes practical sense for the sector to focus on this area rather than the concept of reducing or eliminating reasonable regulatory oversight. Perhaps an effort to educate funders, both government and foundations, to the mechanisms in place to ensure registered charities devote their resources to their charitable purposes could lower the administrative burden faced by some charities.

Sincerely,

David Oyler