September 10, 2018

The Honourable Terry M. Mercer:  terry.mercer@sen.parl.gc.ca
The Honourable Ratna Omidvar: ratna.omidvar@sen.parl.gc.ca
Special Committee on the Charitable Sector
The Senate of Canada
140 Wellington Street, Room 9, Victoria Building,
Ottawa, Ontario, K1A 0A4

Re: Senate Committee Study on the Charitable Sector - focus on the role of Foundations and Donor Advised Funds

Dear Senators Hon. Terry Mercer and Hon. Ratna Omidvar:

I am writing today in my capacity as Chief Corporate Responsibility Officer at PwC Canada. In this role I oversee the team responsible for helping PwC build trust between business and society. We achieve this by working in collaboration with PwC’s people, clients and communities to co-create strategies and initiatives that help to address complex social, environmental and economic issues.

Within Canada, PwC has more than 6,700 partners and staff in locations from coast to coast. With more than 110 years of excellence in Canada, we provide industry focused professional services including audit and assurance, risk assurance, tax, deals and consulting. To help Canadian not-for-profit organizations face emerging issues, we also have a dedicated team of practitioners and advisors servicing the sector with thought leadership and strategic guidance.

I applaud the committee’s work examining the impact of federal and provincial laws and policies governing charities, non-profit organizations, foundations, and other similar groups; and to examine the impact of the voluntary sector in Canada.

With specific focus on funding of the charitable (social purpose) sector and the role of foundations and donor-advised funds, I would offer the following observations:

Imagine Canada defines the social purpose sector as being comprised of registered charities, public-benefit non-profit organizations, and social enterprises. Together they account for over 8% of GDP and face a growing social deficit that could reach $26 billion over the next decade. This deficit is calculated using the difference between the demand for social services and the realities of the fragile state of financial sustainability given the aging population and reduced philanthropic forecasts. Foundations and donor advised funds play a critical and enabling role in long term resiliency of this sector and complement government investments.

We also live in a society where people have come to enjoy and expect services from the social purpose sector. To continue to meet public expectations and support Canadian economic growth, this sector requires a safe space to innovate, to take risks and to attract new forms of investment - similar to any business - and based on evolving legal structures. Currently legal and regulatory structures are antiquated. There is no one ‘home’ within government to have a focused conversation and to help advise on the required changes across the entire social profit ecosystem. This reduces potential cost efficiencies and the government’s ability to maximize and amplify services to the public.
In the context of these observations, I would like to provide the committee with the following thoughts:

- **The social purpose sector requires a formalized home within government to better recognize, amplify and collect meaningful data on its strength and impact as an important economic driver to Canadian economic growth and competitiveness.** Recommendations from the Government of Canada’s Social Innovation and Social Finance Strategy Co-Creating Steering Group via Employment and Social Development Canada (published August 31, 2018) reinforce this thinking and speaks to the evolving and complex landscape of ecosystems and structures supporting public benefit work.

- **Modernization of the regulatory framework governing the charitable sector and non-profits sectors is required.** Specific attention can be paid to addressing the definition of what constitutes charitable purpose (vs. activity) and the mechanisms available to Public, Private and Corporate Foundations to work with entities that are fulfilling public benefit but are not currently qualified donees. These may include setting clear guidelines regarding a Foundation’s ability to make program related investments/loans to entities that are fulfilling a social purpose (ex. Social enterprise) or to invest within public-private-partnerships that have a better return on public purpose endeavours leading to strong socio-economic returns on those investments. It makes good business and community sense.

- **A competitive, pan-Canadian data collection framework is required to ensure information from multiple government and regulatory sources is compiled and shared in a reliable, comparable, consistent, and relevant manner to better inform public policy, regulation and funders (Foundations and persons) to support for social purpose sector priorities.** This need has been cited by multiple social purpose sector industry organizations in related submissions to the Senate and House, and has been emphasized through the Prime Minister’s mandate letter for the Minister of Innovation, Science and Economic Development. Data driven decisions will continue to be normalized and a requirement for good business practices. Our social purpose sector must not be left behind.

I would be pleased to build upon these observations and other ideas to help to strengthen the efficiency and effectiveness of your committee’s important work and to involve the expertise of PwC colleagues, who can speak to the impact of proposed changes considered by this committee.

Yours truly,

*(original letter signed by James Temple)*

James Temple  
Chief Corporate Responsibility Officer