To Kevin Pittman, Clerk of Special Committee on Charitable Status,

I am a project manager for a small registered charity. I have two points to make regarding the current situation with registered charities operating overseas and regulated under CRA.

1. **There is a regulatory gap regarding the sending and spending of funds sent overseas.**

CRA does a great job of setting guidelines/requirements regarding obligations around the spending of those funds sent overseas--i.e. have an audit trail etc. For fund activity in Canada registered charities are required to have audited financial statements. However for the funds that same charity sends overseas there is no actual regulatory reporting requirement.

To have a reporting requirement would entail the capacity to administer any regulation(s) that were in place and this would not be inexpensive or easy. Perhaps a check list and signed statement would be required by the charity attesting that they are following a list of the CRA guidelines for operating overseas.

However, the way it is now, a charity could have a set of audited financial statements for activity in Canada which would make donors confident in the financial reporting but that same charity could have a lack of oversight of their funds sent overseas and donors would not be aware of this situation.

So, the problem is the oversight by government is limited to a small number of charities being audited and no regular reporting by all charities of how the charity is meeting CRA requirements.

2. **The situation facing small charities regarding lack of funding from GAC (Global Affairs Canada) for overseas development work**

From 2011 to 2017 there were no calls by Global Affairs Canada for small charities to participate in to access government funding for project work overseas. The minimum threshold was set higher than small charities would qualify for.

In 2017 a call from GAC included small and medium sized not for profits. However, in examining the results shared on the number of NGO’s funded shows that small charities are not included in the government funding.

The best way to explain this point is to give details about the call for proposals that included small NGO’s, the 2017 Call for Preliminary Proposals - Development Impact Window - Canadian Small and Medium Organizations for Impact and Innovation. This was a call opened last November for small and medium organizations, actually the first call open to small NGO's
since 2011. A medium organization was defined as having up to $10 million/year in donations and sending $2 million overseas each year. ... quite large when compared to a small NGO.

This call had only $18 million allocated to it. There were 136 applicants who applied and were deemed eligible (who submitted all documentation). The range of funds that could be requested was a minimum of $500,000 to a maximum of $2 million for up to 5 years. This means that depending on which applications (in this competitive process) were picked by GAC the maximum number winning NGO's funding would be up to 35 and the minimum 9.

So at best 101 eligible applicant charities would not be successful. In fact a minimum of 101 charities had no chance of being funded.

GAC Canada has recognized the great interest and posted this statement: “Global Affairs received a high number of applications to the first call for preliminary proposals under the Development Impact window of the pilot initiative for Canadian small and medium organizations (SMOs). These applications demonstrate the interest, breadth, and commitment to international development of Canadian SMOs. Given the significant amount of work involved in completing the call and the expected continued high degree of interest for a future call, we will defer the next SMO call under this window to early 2019 to allow time for learning and integration of lessons learned from this first call.”

After 6 years of announcing no calls for small NGO’s, and giving no advance notice that this call was coming, the time line for submission was set at approximately 4 weeks and then extended a couple of weeks over Christmas.

GAC goes to great length to explain their selection process and that the system is fair and objective. Part of the problem is small charities are lumped with medium charities and the funding opportunities are so very limited.

At the other end of the spectrum GAC also works directly and individually (compared to the above competitive process) with large charities and universities etc. They mutually develop projects worth several millions each. There is nothing wrong with this but the comparison needs to be made. Most of the open calls are also for larger organizations.

It is understandable that GAC may no longer wish to administer (with appropriate governance and compliance standards in place) several hundred small charities.

The fact is that GAC funding is not available to a vast majority of small charities in Canada - the process makes it seem like funds are available but funds are available in theory only. Supporters and donors of many charities do not realize that the door has been closed to small charities.

Thank you for the opportunity to submit these two points to the committee. I am interested in being kept informed of any reports and recommendations that are a result of your committee’s work.

Regards,

Les Frayne