

Sport Philanthropy in Canada The Case for Change

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IDEA IN BRIEF

The Situation:

Governments have been involved in sport since the early part of the twentieth century because they recognize sport as a powerful means of enhancing society's health and well-beingⁱ. While sport plays a critical role in elevating society, in Canada, an organization whose purpose is to promote one or more sports for its own sake cannot be registered as a charityⁱⁱ.

The Challenge:

The mission of Sport Canada is to enhance opportunities for all Canadians to participate and excel in sportⁱⁱⁱ, however:

1. Many sport-related organizations in Canada are Registered Canadian Amateur Athletics Associations (RCAAA) and must be established for the exclusive purpose and exclusive function of promoting amateur athletics in Canada on a nation-wide basis. In this case, sport organizations in Canada either have to have as their exclusive purpose to promote sport^{iv} (RCAAA) OR attempt to fit within a recognized charitable purpose.
2. There is a crisis in sport funding in Canada. Even though the government has declared sport a priority^v, Canadians and sports organizations have indicated that one of the major barriers in access to, promotion of, and programming in sport is a lack of funding^{vi}.

The Opportunity:

Recognize sport as a charitable purpose. Similar to the arts, sport has an enormous public benefit^{vii}, falls within the ministry of Canadian Heritage and is at least as popular as the arts to the average Canadian^{viii}. Incorporating sport itself as a charitable purpose reinforces the government's stance that sport is important, and provides the opportunity to fill the funding gap with private support. This in turn enriches key sectors involved in, and influenced by sport participation, and supports Sport Canada's vision that all Canadians can pursue sport to the extent of their abilities and interests, including performing at the highest competitive levels^{ix}; and where sport delivers benefits, for increasing numbers, to individual health and well-being, and contributes to socioeconomic outcomes.

THE SITUATION

Governments have been involved in sport since the early part of the twentieth century because they recognize sport as a powerful means of enhancing society's health and well-being. While sport plays a critical role in elevating society, in Canada, an organization whose purpose is to promote one or more sports for its own sake cannot be registered as a charity.

Background | Canadian Sport Policy^x

The mission of Sport Canada is to enhance opportunities for Canadians to participate and excel in sport, through policy leadership and strategic investments in the sport system^{xi}. The current Canadian Sport Policy, effective from 2012 to 2022, sets a direction for all governments, institutions and organizations to ensure sport has a positive impact on the lives of Canadians, our communities and our country. **It's a vision for a dynamic and innovative culture that promotes and celebrates participation and excellence in sport.** Implicit in the vision is the notion that Canada is a leading sport nation where all Canadians can pursue sport to the extent of their abilities and interests, including performing at the highest competitive levels; and where sport delivers benefits, for increasing numbers, to individual health and well-being, and contributes to socioeconomic outcomes.

Canadians from diverse backgrounds, sectors and communities sent a clear message that sport is an essential part of life in Canada. The accomplishments of our athletes give Canadians a source of pride, as does the vibrant sport practised in communities from coast to coast to coast. Sport provides a means for personal and social development, as well as being an end in itself.

Canadians have identified population health, community building, social development, nation building, and civic engagement as areas in which sport can make the greatest contributions to Canadian society over the next ten years. These contributions are significant as Canada faces several challenges: obesity, physical inactivity and related health problems, an aging population, and increased diversity of the Canadian population. High quality, intentionally designed sport programming can contribute to the following broad societal outcomes:

- Excellence
- Enhanced education and skill development
- Improved health and wellness
- Increased civic pride, engagement and cohesion
- Increased economic development and prosperity

Through five broad objectives, the Policy aims to increase the number and diversity of Canadians participating in sport:

1. **Introduction to sport:** Canadians have the fundamental skills, knowledge and attitudes to participate in organized and unorganized sport.
2. **Recreational sport:** Canadians have the opportunity to participate in sport for fun, health, social interaction and relaxation.
3. **Competitive sport:** Canadians have the opportunity to systematically improve and measure their performance against others in competition in a safe and ethical manner.
4. **High performance sport:** Canadians are systematically achieving world-class results at the highest levels of international competition through fair and ethical means.
5. **Sport for development:** Sport is used as a tool for social and economic development, and the promotion of positive values at home and abroad.

Fundamental to the Policy is the assumption that quality sport is dependent on seven principles appropriately integrated into all sport-related policies and programs:

- **Values-based:** All sport programs are values-based, designed to increase ethical conduct and reduce unethical behaviour.
- **Inclusive:** Sport programs are accessible and equitable and reflect the full breadth of interests, motivations, objectives, abilities, and the diversity of Canadian society.
- **Technically sound:** Principles of long-term participant development inform sport programs in all contexts of sport participation, recognizing that different participant pathway models exist across jurisdictions.
- **Collaborative:** Sport is built on partnerships with other sectors – most importantly with Education and Recreation – and is fostered through linkages with community organizations, service providers, and the private sector.
- **Intentional:** Sport programs are based on clear objectives in order to achieve their desired outcomes.
- **Effective:** Monitoring and evaluation of programs and policies support improvement, innovation and accountability. A research agenda supports the identification of conditions under which programs and policies have the strongest potential to deliver on their objectives.
- **Sustainable:** Organizational capacity, partnerships, innovative funding, sharing and economizing of resources, exist to achieve system objectives.

Background | Sport Funding^{xii}

The Government of Canada is the single largest investor in Canada's sport system, providing funding for initiatives to support our high-performance athletes and to promote sport participation among all Canadians, from playground to podium.

The Government of Canada provides financial support through three programs:

1. Through the Athlete Assistance Program, every year \$33 million in funding goes directly to approximately 1900 athletes, giving them financial assistance to pursue world-class results while achieving their academic and career goals.
2. The Sport Support Program provides about \$150.4 million to Canadian sport organizations to strengthen our national sport system and benefit our athletes and coaches.
3. The Hosting Program provides about \$19.9 million annually to assist Canadian communities in hosting world-class international sport events and the Canada Games. In addition, funding is provided to support travel costs related to the participation of athletes in the Canada Games.

Each year, about \$64 million of the Sport Support Program's total amount is provided as enhanced excellence funding for targeted sports and athletes with medal potential at the Olympic and Paralympic Games, based on recommendations made by Own the Podium.

Background | Charities, Sport and Registered Canadian Amateur Athletic Associations (RCAAs)

Charities^{xiii}

The Canada Revenue Agency (CRA) registers charities under the Income Tax Act, and makes sure that registered charities continue to meet all the associated legal and administrative requirements for charitable registration. Registered charities are charitable organizations, public foundations, or private

foundations that are created and resident in Canada. They must use their resources for charitable activities and have charitable purposes that fall into one or more of the following categories:

1. The relief of poverty
2. The advancement of education
3. The advancement of religion
4. Other purposes that benefit the community

The requirement of public benefit involves two parts:

1. There must be a tangible benefit and it must be directed to the public or a sufficient section of the public
2. Any private benefit arising from the purposes and supporting activities being undertaken by a registered charity can only be incidental.

For an organization with sports activities to be registered as a charity, the sport activities should relate to and support exclusively charitable purpose(s) and be a reasonable way to achieve them. If the purposes or activities of the organization are only (or even collaterally) to promote sport(s), or where it is not shown how all the sport(s) activities clearly further one or more of the organization's identified charitable purposes, it is unlikely to qualify for registration as a charity under the Income Tax Act.

Registered Canadian Amateur Athletic Associations^{xiv}

In 2011, the federal government released Budget 2011 that proposed new responsibilities for registered Canadian Amateur Athletic Associations (RCAAA). Effective January 1st 2012, RCAAAs have, as their **exclusive purpose and function, the promotion of amateur athletics** in Canada. According to the CRA, the promotion of success or excellence through competition for athletes is not a charitable purpose, notwithstanding that there may be health and fitness benefits derived from participation. Therefore, activities that require participants to first demonstrate a certain skill level, for example through a qualifying time or a winning record, do not qualify as charitable activities.

While the courts have not recognized the promotion of sport as a charitable purpose, the CRA has given special status to RCAAAs. Budget 2011 extends to RCAAAs many of the same requirements that pertain to registered charities, however, the expectation to act as such are difficult to implement given the restrictions of how RCAAAs receipt donations and distribute funds.

Sport Organizations as Non-Profits

It is difficult to find accurate information on non-profits within the sport sector. According to Imagine Canada, Sports and Recreation organizations are much less likely than non-profit and voluntary organizations in general to be registered charities, even though they are the most common type of non-profit and voluntary organization in the country^{xv}. Because some of these organizations are RCAAAs, some are non-profits, and some are registered charities, accurate reporting is difficult. Additionally, often the sector is combined with recreation, which includes service clubs and social clubs, therefore not providing an optimal overview on funds raised within the sector.

THE CHALLENGE

The mission of Sport Canada is to enhance opportunities for all Canadians to participate and excel in sport, however:

- 1. Many sport-related organizations in Canada are Registered Canadian Amateur Athletics Associations (RCAAA) and must be established for the exclusive purpose and exclusive function of promoting amateur athletics in Canada on a nation-wide basis. In this case, sport organizations in Canada either have to have as their exclusive purpose to promote sport (RCAAA) OR attempt to fit within a recognized charitable purpose.*
- 2. There is a crisis in sport funding in Canada. Even though the government has declared sport a priority, Canadians and sports organizations have indicated that one of the major barriers in access to, promotion of, and programming in sport is a lack of funding.*

As an emerging area, **sport philanthropy remains a difficult charitable landscape to navigate.** In Canada, an organization whose purpose is to promote one or more sports for its own sake cannot be registered as a charity. However, when a recognized charitable purpose is furthered through activities that include sport, or where sport is an incidental and ancillary activity only, the organization can potentially qualify for charitable status. This was confirmed when the Court of Appeal held there was no authority that a gift that encourages mere sport is charitable (A.Y.S.A. Amateur Youth Soccer Association v. Canada (Revenue Agency)^{xvi}.

This distinction leaves the majority of sports organizations in a gray area whereby they either have to have as their exclusive purpose to promote amateur athletics or attempt to fit within a recognized charitable purpose. Most RCAAAs are National Sport Federations, and while they promote amateur sport, they are also seen as the governing body of that sport in Canada. By extension, their mandate includes initiatives at the grassroots, school and master levels – in other words, sport for life – initiatives that would be considered public benefit. The reality is that most sport organizations have a mix of promotion of amateur sport and public benefit elements within their mandate.

Given that the Government of Canada is the single largest investor in the sport system, coupled with increasing operational costs, funding cuts and the inability to easily raise funds, it has inadvertently created a state of dependency. The current Canadian sport system is simply unsustainable – with limited resources and high costs, the Government is increasingly cutting the same pie into smaller pieces. Unfortunately, one of the most consistent barriers in our sport system is funding, whether it be for offering programming in a variety of languages, or for successful implementation for CS4L (Canadian Sport for Life)^{xvii}. As an example, when surveyed^{xviii}:

- What are the most important resources that your organization needs to fully achieve its potential in delivering sport programs and services? *Financial*
- What are your current limitations in reaching full potential in delivering sport programs and services? *Financial issues.*
- What are the main HR issues for their organization? *Compensation*
- Does your organization have the human resource capacity to meet the demands of the next decade? *80% said no*
- What are the barriers for promoting community-building programs? *Lack of funding*

If this trend continues, how will Canada sustain a dynamic and innovative culture that promotes and celebrates participation and excellence in sport?

THE OPPORTUNITY

Recognize sport as a charitable purpose. Similar to the arts, sport has an enormous public benefit, falls within the ministry of Canadian Heritage and is at least as popular as the arts to the average Canadian. Incorporating sport itself as a charitable purpose reinforces the government's stance that sport is important, and provides the opportunity to fill the funding gap with private support. This in turn enriches key sectors involved in, and influenced by sport participation, and supports Sport Canada's vision that all Canadians can pursue sport to the extent of their abilities and interests, including performing at the highest competitive levels; and where sport delivers benefits, for increasing numbers, to individual health and well-being, and contributes to socioeconomic outcomes.

In Canada, the arts typically fall within Advancement of Education (second category) or Other Purposes Beneficial to the Community (fourth category) that includes^{xix}:

1. Advancing the public's appreciation of the arts:

The Draft Guidance indicates that arts organizations may be eligible for registration as advancing the public's appreciation of the arts, if they are focused on exhibiting, presenting, or performing artistic works in a way that satisfies the public benefit requirements set out in the Draft Guidance.

2. Promoting the commerce or industry of the arts:

Arts organizations may also be eligible for registration as promoting the commerce or industry of the arts if they are focused on enhancing an art form and style within the arts industry as a whole for the benefit of the public, as opposed to advancing the interests of those engaged in the industry. The Draft Guidance defines this to mean striving for improvement and promoting excellence and, accordingly, preserving and promoting excellence and high standards are essential features.

In 2017, Canadians gave \$14 billion to registered charities^{xx}, not included in this figure are donations made to RCAAAs and other non-profit sport organizations. By recognizing sport itself as a charitable purpose, there is the opportunity to:

- More accurately account for donations and impact in this space
- Potentially generate upwards of \$280 million in additional revenue for community sporting organisations, particularly those in regional and rural areas (based on figures raised within the arts)
- Increase support of our athletes and increase competitive advantage internationally
- Increase support of community and grassroots sports organizations
- Encourage the elimination of the state of dependency of sports organizations
- Ensure the sport system become more sustainable

Sport as a Charitable Purpose within the Canadian Sport Policy Context

The argument can be made that, much like the arts, sport plays an essential role in our Canadian fabric. There is no shortage of reports stating how sport consistently satisfies what the charitable sector would consider typical public benefit requirements.

Sport Canada's Sport Policy notes that high quality; intentionally designed sport programming can contribute to the following broad societal outcomes:

- Excellence
- Enhanced education and skill development

- Improved health and wellness
- Increased civic pride, engagement and cohesion
- Increased economic development and prosperity

The study also lists the following key sectors involved in and influenced by sport participation^{xxi}:

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|-------------------------------|-----------------------------------|
| • Education | • Media |
| • Aboriginal Affairs | • Military and Defence |
| • Citizenship and Immigration | • Municipal and Local Governments |
| • Culture | • Private Sector |
| • Health | • Professional Sport |
| • Infrastructure | • Tourism |
| • International Affairs | • Recreation |
| • Justice | |

To better support Sport Canada's mandate by incorporating sport as a charitable purpose, it allows for all segments of the system to better deliver on public benefit. Examples of charitable initiatives found within sport organizations include, but are not limited to:

- Construction, maintenance or upgrade of amateur sporting facilities to improve community health via increased sporting activity and access to sport
- Programs aimed at improving or addressing mental health problems in the community through sport
- Participation programs intended to promote health or inclusion, or relieve disadvantage
- Purchase of sports equipment and uniforms specifically to enable community to improve health and activity through participating in sport, or to relieve disadvantage
- Funding any aspect of sport (whether facilities, equipment, coaching, uniform, free or subsidized registration fees etc) specifically for underserved communities or needs of disadvantaged groups
- Sports scholarships (outside of the education sector) to promote health of community or to relieve disadvantage
- Education and Training those in coaching, umpiring or refereeing, for the benefit of:
 - a disadvantaged group; or
 - a rural, regional or remote area; or
 - individuals in targeted groups to promote the health of such individuals through encouraging participation in sport as a regular activity.
- Recording sports history and memorabilia in any publicly accessible museum, with items of educational or cultural value and which would be of public interest

We are failing sports in Canada. The lack of resources, talent, access, programming, and support in the sport system is leading our country down a path of unsustainability, and the organizations that will suffer the most, are the ones with greatest impact on our communities. As the source of limitless public benefit, sport deserves an equal seat at the charitable purpose table.

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