



EXECUTIVE SUMMARY

THE TIME FOR REAL CHANGE HAS COME.



Why is it so hard to do great works of charity? This was the question the Special Senate Committee on the Charitable Sector (the committee) set out to answer. Struck in January 2018, the committee was asked to examine and report on Canada's charitable and non-profit sector. The task was daunting, but urgent. While the sector is resilient and innovative, its potential is limited by what are seen by many stakeholders as complex, outdated rules and a lack of coordinated support within the federal government.

Canada's charitable and non-profit sector is diverse and vibrant. From sport to social support services, an estimated **86,000 REGISTERED CHARITIES** and **85,000 NON-PROFIT ORGANIZATIONS** engage in public benefit activities that touch almost every aspect of Canadian life. The sector is also a significant economic driver, generating more than **7% OF CANADA'S GROSS DOMESTIC PRODUCT** and employing more than **2 MILLION PEOPLE**.

Today, we ask more than ever of the sector. Demand for services has increased, yet funding is constrained. In addition, technology has disrupted traditional models of service delivery and changed the way in which charities and non-profit organizations interact with volunteers and donors. A new roadmap is needed to enable the sector to continue to build on its strengths and adapt to new and emerging realities.

The charitable and non-profit sector has suffered from benign neglect for too long. Legal rules have been reformed in a piecemeal fashion; task force recommendations have gone unimplemented; and kind words have all too often served as a substitute for meaningful action. The time for real change has come.

Throughout the course of its study, the committee held **24 PUBLIC HEARINGS** where it heard from **160 WITNESSES**, including government officials, legal and policy experts, funders, volunteers, front-line workers and board members.



These witnesses represented a wide-range of organizations of all sizes from across the sector and around the country. The committee also received written briefs from **MORE THAN 90 INDIVIDUALS AND ORGANIZATIONS**.

In addition to public hearings, the committee ran an electronic consultation (e-consultation) to extend the reach of its work and include the voices of stakeholders who might not otherwise participate in its study, particularly small and rural organizations. The committee is the first Senate committee to have held an e-consultation in over a decade and the results surpassed expectations.

A total of **695 RESPONDENTS** took the time to complete the questionnaire and share with the committee their thoughts and experiences about the challenges and opportunities faced by the sector. E-consultation participants provided information on topics such as **EMPLOYEE AND VOLUNTEER RETENTION, FUNDING APPLICATION PROCESSES** and **OPPORTUNITIES FOR COLLABORATION**, and their responses enriched the committee's work tremendously.

While each organization in the sector faces unique challenges, a great deal of common ground existed in the stories witnesses and e-consultation participants shared.



THE COMMITTEE HEARD EXTENSIVE EVIDENCE ON FOUR KEY TOPICS:

1. The people working and volunteering in the sector
2. Funding for the sector
3. The rules governing the sector
4. The need for a "home" within the federal government for the sector

PEOPLE LIE AT THE HEART OF THE SECTOR'S SUCCESS. Yet, witnesses told the committee that charities and non-profit organizations are concerned about barriers to volunteering and the challenge of recruiting the next generation of volunteers.

Organizations are also concerned about recruiting and retaining paid staff, telling the committee they struggle to compete with public- and private-sector employers in terms of pay, pension, benefits and training.

Among other recommendations designed to support people in the sector, the committee recommends the creation **OF A NATIONAL VOLUNTEER STRATEGY** to encourage volunteerism and a human resources renewal plan to ensure the long-term sustainability of the workforce.

The charitable and non-profit sector relies on three main sources of funding:



Government funding



Donations



Earned income

Innovative approaches are needed to ensure the future viability of these sources of funding.

To this end, the committee recommends a wide range of measures designed to **ENSURE STRONG AND STABLE FUNDING** for the sector. Recommended measures include pilot projects to encourage the donation of private shares and to allow charities greater freedom to undertake revenue-generating activities.

In addition, the committee recommends to **EXPLORE WAYS OF ENSURING THAT DONATIONS DO NOT LANGUISH IN DONOR-ADVISED FUNDS** so that they are instead used to fund charitable endeavours in a timely fashion.

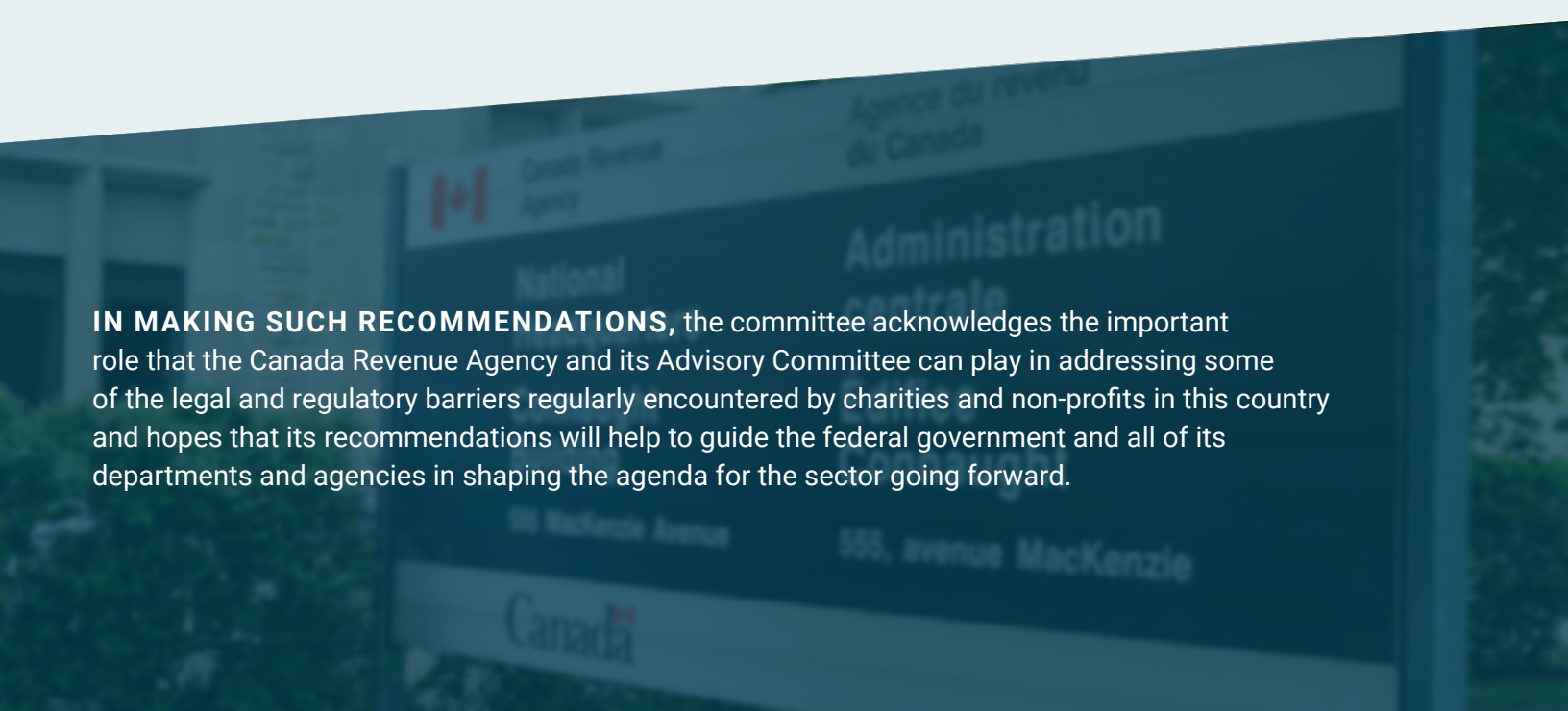
The committee also recommends measures to ensure the provision of predictable and sustainable grants and contributions agreements.

Making change possible also requires a legal framework that is fit for its purpose. Testimony from witnesses and e-consultation participants provided the committee with a **CLEAR UNDERSTANDING OF JUST HOW OUT OF DATE SOME OF THE EXISTING RULES ARE.**

For example, the committee learned that some current rules and guidance policies make it difficult for charities to work in partnership with other organizations, both in Canada and abroad.

The committee recommends that these rules and guidance policies be revised to **ALLOW CHARITIES GREATER FREEDOM TO WORK WITH PARTNER ORGANIZATIONS**, while ensuring that charitable dollars are spent on charitable purposes.

The committee also makes recommendations to help **ENSURE THAT THE LEGAL MEANING OF THE TERM “CHARITY” CORRESPONDS WITH PUBLIC EXPECTATIONS.**



IN MAKING SUCH RECOMMENDATIONS, the committee acknowledges the important role that the Canada Revenue Agency and its Advisory Committee can play in addressing some of the legal and regulatory barriers regularly encountered by charities and non-profits in this country and hopes that its recommendations will help to guide the federal government and all of its departments and agencies in shaping the agenda for the sector going forward.

The committee believes that there is no single strategy or quick fix that would ensure the sector can continue to thrive and play its vital role at the heart of Canadian communities. **KEY TO THE SECTOR'S CONTINUED SUCCESS IS A STRONG RELATIONSHIP BETWEEN THE SECTOR AND THE FEDERAL GOVERNMENT.**

This relationship cannot be limited to one between the regulator (the Canada Revenue Agency) and the sector. To support the development of **A RENEWED RELATIONSHIP** with the sector, the committee recommends that the Minister of Innovation, Science and Technology be tasked with creating a regular venue for the facets of the federal government to interact and collaborate with this diverse sector.

Supported by a secretariat on the charitable and non-profit sector, the Minister should be expected to **REPORT ANNUALLY ON THE STATE OF THE SECTOR** and the efforts undertaken in tandem with federal and provincial/territorial ministers, departments and agencies.

Committee members complete this study **IMPRESSED AND INSPIRED** in equal measure. Impressed by the unstinting commitment of those who work tirelessly to serve their communities locally, nationally and internationally; inspired by the deep reservoir of talent and tenacity that runs through our country.

Every day, hundreds of thousands of Canadians make the choice to share, making Canada a better place to live. **THESE UNSUNG HEROES ARE ESSENTIAL TO THE WELL-BEING OF OUR NATION**, reaching beyond the traditional spheres of activity of the public and private sectors to enrich our lives in an infinite variety of ways.



TO CONTINUE ITS GOOD WORK, the sector needs meaningful law and policy reform, as well as a renewed relationship with the federal government. This report is a roadmap to ensure that genuine change is delivered so that the sector can reach from great to exceptional. The committee trusts that the federal government, together with the Advisory Committee on the Charitable Sector, will work swiftly to implement its recommendations.

