

## **2026 Federal Pre-Budget Submission**

### **Recommendations**

*We urge the government to reduce administrative burden associated with federal grants and contribution to nonprofits by:*

- *Reforming reporting requirements to focus on impact and meaningful accountability while reducing excessive administrative requirements, and*
- *Adopting a 'one partner, one profile' approach to eliminate redundant administrative work when nonprofits are funded by more than one federal funder.*

*We urge the government to make federal funding for nonprofits more reliable and responsive for communities by:*

- *Allowing flexibility in how nonprofits move funds between budget lines, and*
- *Favouring longer funding terms and reducing wait times for funding approvals.*

## Context

In today's uncertain world, the federal government partners with nonprofits to deliver on many priorities. Nonprofits are embedded in communities, are nimble and adaptable, and hold expertise in national priority areas from settlement to health care.

Our sector has a significant economic impact, contributing 8.4% to Canada's GDP. We employ 2.9 million people and leverage 1.2 billion volunteer hours annually, equivalent to an additional 714,000 full-time jobs. However, the effectiveness of our delivery capacity is increasingly constrained by the way federal grants and contributions are administered.

This context is especially relevant as the Government undertakes its Red Tape Review Process to streamline operations, reduce administrative overhead, and ensure spending delivers stronger value for money.

Partnerships between the federal government and nonprofits are hindered by challenges, including:

- Intense administrative burden with excessively complicated, frequent, redundant and inefficient application and reporting processes;
- Short-term funding and gaps between funding terms, creating high staff turnover and numerous operational challenges; and
- Little flexibility to change spending plans as needs evolve or learning occurs.

Federal funding issues have been well documented. In 2006, following several critical reports by the Auditor General, an Independent Blue Ribbon Panel spent six months reviewing this issue. Its [report](#) concluded that federal funding needed fundamental change; that simplified administration was essential to strengthen accountability; and that these changes would require sustained leadership.

The 2019 [report](#) of the Special Senate Committee on the Charitable Sector underscored that funding issues persist. It recommended that the government compensate full administrative costs associated with federally-funded nonprofit service delivery; ensure funding agreements cover a minimum of two years (renewable as appropriate); that application and reporting requirements be made commensurate with the level of funding; and that Treasury Board create a standardized set of reporting requirements and an online tool for submission of financial reports based on these requirements.

A 2024 internal audit of [Environment and Climate Change Canada's \(ECCC\) funding](#) described a decentralized, inconsistent approach to grant and contribution management that didn't support efficient program delivery.

The implications of these issues are significant. A 2019 [study](#) from the University of Bath found that, on average, British charities complete 22 funding applications each year, that they spend 19 hours per application, and that 34% of their applications are successful. The authors of the study estimated the annual cost of grant writing by the UK's approximately 170,000 charities at £1.1 billion, including £726 million on unsuccessful applications. While fully comparable Canadian data doesn't exist, the situation isn't dissimilar: 44% of charities spend 5-15 hours on a single application, while 32% spend more than 16 hours per application. 38% of Canadian charities report a success rate of 50% or lower on the grants they apply for each year.<sup>1</sup> In our sector, with its estimated 180,000 Canadian nonprofits and charities, the costs of any excessive administration are unquestionably significant.

Administrative burden doesn't just occur at the application stage. 43% of charities report that funders create a moderate administrative burden and 17% report a heavy or severe burden. When asked about funder requirements, 40% of charities report being asked for complex financial tracking and reporting and 36% describe duplicative reporting for multiple funders. A majority (69%) report that these requirements result in increased staff time or workload.<sup>2</sup> While this data isn't specific to the government, anecdotally the nonprofits report that these are common experiences when dealing with federal funding.

We urge that the Red Tape Review process include the modernization of grants and contributions administration, one of the most immediate and scalable opportunities to reduce internal processing burden while protecting frontline outcomes. Our policy recommendations would help the government modernize its funding practices to improve return on investment without cutting funding for the vital supports people rely on.

## **Reduce administrative burden to improve service quality and efficiency**

### ***Reform reporting to focus on impact and meaningful accountability while reducing excessive administrative***

For nonprofits, the trust of funders, supporters, volunteers, and those we serve is paramount. Without trust, we are not able to mobilize resources, build partnerships, or forge relationships with communities. Transparency and accountability are essential to our work.

Nonprofits are subject to numerous regulatory accountability measures. Charities must keep adequate books and records (i.e. doing an annual independent audit) and file an annual

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<sup>1</sup> [Weekly Results: Grant Writing. Charity Insights Canada Project \(2025\)](#)

<sup>2</sup> [Weekly Results: Funding requirements. Charity Insights Canada Project \(2024\)](#)

information return. Provincial and territorial legislation imposes various accountability measures on nonprofits without charitable status and, beginning in 2027, all nonprofits with annual revenues above \$10,000 will be required to file annual information returns with the CRA. We frequently surpass these requirements, reporting extensively on activities and outcomes to funders, donors, volunteers, the board of directors and community members.

Nonprofits understand that accountability measures are crucial for maintaining confidence in funding programs. However, we are concerned that the accountability measures currently in place are burdensome yet still fail to provide meaningful accountability for public funds.

Federal reporting and audit processes are redundant, inconsistent, and often create excessive administrative work. They generally have an excessive focus on risk, leading to micromanagement and time wasted on scrutinizing small financial details while failing to capitalize on their true potential as opportunities for learning, improvement, meaningful accountability and impact measurement. Anecdotally, we have heard from nonprofits who have been:

- Audited twice for the same funding.
- Subjected to four financial monitoring exercises and five activity monitoring exercises over a three-year funding period with no advance notice of deadlines.
- Required to submit monthly reporting and detailed financial breakdowns.
- Asked to provide more than 1,500 pieces of documentation for one expense claim.

These practices divert valuable time and resources away from serving communities.

Evidence bears these experiences out. In 2023, the [Auditor General](#) found that Global Affairs Canada couldn't demonstrate the value of Canada's Feminist International Assistance Policy, despite requiring funding recipients to report extensively on outcomes. The [2024 ECCC internal audit](#) highlighted a lack of documentation to support risk assessments, inconsistent documentation requested of funding recipients, and gaps in monitoring. In many cases, the department appeared to not have reviewed reports.

The Government has committed to improving efficiency and reducing red tape. Now is the time to reform accountability measures to reduce administrative burden while strengthening accountability.

## ***Adopt a 'one partner, one profile' approach to eliminate redundant administrative work***

Many nonprofits are funded by the federal government through multiple programs, departments and agencies. Except in limited circumstances, these funding envelopes are managed separately with inconsistent requirements and systems. To name a few examples, there is ESDC's [Grants and Contributions Online Services](#), the [Canadian Heritage Funding Portal](#), WAGE's [Online Application and Intake System](#), and GAC's [Partners@International](#) portal.

Nonprofits have multiple accounts and submit the same or similar information time and again for each application and report. Often, the application and reporting timelines, formats and requirements are inconsistent, meaning that the organization must use valuable time to customize each submission.

The system is duplicative and wasteful. In an era of increasing digitization and focus on efficiency, harmonizing the government's many application and reporting systems is essential.

We are ready to work with the government to move towards a system that allows nonprofits and charities to spend less unnecessary time on applications and reporting and more time serving their communities.

## **Make federal funding more reliable and responsive to better serve communities**

### **Favour longer funding terms and reduce wait times for approvals to avoid service disruptions**

Nonprofits are addressing deep rooted, complex issues ranging from hunger to gender-based violence where real change takes time and continuity of program delivery is crucial.

However, funding is generally short-term and the funding approval and contract negotiation processes are often long and drawn-out, sometimes creating problematic gaps between funding terms or causing program cancellation. This leads to operational and financial challenges, including layoffs and cancelled contracts. High staff turnover leads to higher recruitment and training costs as well as the loss of knowledge and relationships. Short-term funding also makes program evaluations or improvements difficult. Funding for programs that are multi-year in nature should be designed for service continuity without gaps caused by a lapse in funding.

While it may not be appropriate to immediately transition all funding programs to multi-year funding, there are some programs where small changes to fund term lengths could lead to significant time and cost savings for the government and funded nonprofits. The Community

Based Stream of the New Horizons for Seniors Program supports many of the same organizations to do similar work each year and is delivered through \$25,000 one-year grants. In 2024-25, the program's \$60.3 million budget supported 2,905 projects. The program currently has a \$65 million budget. If the government were to adjust this program to offer \$50,000 two-year grant cycles, internally they could replace the work required to assess thousands of applications and negotiate new contracts with nearly 3,000 organizations with the much smaller workload required to review simple interim reports. The funding term length and amount are both still relatively small, meaning that the risk associated with the grants wouldn't increase significantly.

We urge the government to use longer term funding arrangements to ensure continuity of program delivery while avoiding needless paperwork and gaps in funding.

### ***Allow flexibility in how nonprofits move funds between budget lines***

Canada is facing a series of generational challenges from the housing and climate crises to major shifts in global geopolitics and significant economic turmoil. Demand for many nonprofit services is growing and changing. It is crucial that federally-funded programs meet the moment by supporting learning, responsiveness and innovation.

However, federal funding agreements are often very restrictive and allow nonprofit partners little latitude to make adjustments to their initial plan for delivering the promised initiative. Between application and funding approval, as well as throughout the funding term, the environment changes, learning occurs, and new needs emerge. It is important that nonprofit partners be empowered to use their expertise and judgement to make reasonable adjustments to planned spending. The focus should be on federal funding being used to generate maximum impact, instead of requiring organizations to faithfully implement plans that are now out of date.

We urge the government to increase budget flexibility by allowing organizations to move costs between budget categories more easily. Guardrails can be put in place to ensure that the expenses are legitimate and continue to support agreed-upon funding objectives. Some departments such as Global Affairs Canada already allow more budget flexibility than others, and their good practices can provide a model for other departments.

### **About Fair Funding for Nonprofits**

We are a coalition working towards a future where more equitable and effective federal funding enables nonprofits to better serve their communities and address the

root causes of society's biggest challenges. Our members come from across Canada, representing many mission areas. Imagine Canada acts as the backbone organization for the coalition.

## Contact

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## Signatories

- Africa-Canada Education Foundation
- Alberta Ecotrust Foundation
- Association for Canadian Educational Resources
- Atelier Action Jeunesse inc TR
- Atlantic Region Association of Immigrant Serving Agencies
- Autism Canada
- Big Brothers Big Sisters of Saint John
- BullyingCanada Inc.
- Brunswick Street Mission
- Cancer Research Society
- CEE Centre for Young Black Professionals
- Centre for Canadian Language Benchmarks
- Community Sector Network of PEI
- Cumberland Restorative Justice Society
- Decoda Literacy Solutions
- Développement St-Godard
- Dr. Interested
- EMBRACEHEALTHFOUNDATION
- Équiterre
- Eva's Initiatives for Homeless Youth
- First Stage
- Fondation Béati
- Garthson Leadership Centre
- Hike Nova Scotia
- Hispanotech.ca
- Hollyburn Community Services Society
- IDÉES-AFRIQUE
- Imagine Canada
- Impact Organizations of Nova Scotia

- LEARN
- Monthly Dignity
- National Network for Mental Health
- National Alliance for Children and Youth
- Network for the Advancement of Black Communities (NABC)
- Nunavut Association of Non-Profit Organizations (NANPO)
- OCASI - Ontario Council of Agencies Serving Immigrants
- Ontario Nonprofit Network
- Operation Springboard
- Organization for Nova Scotia Innovation Driven Entrepreneurship (ONSIDE)
- Parachute Leaders in Injury Prevention
- Pillar Nonprofit Network
- Placentia Star of The Sea Association Inc.
- Regroupement féministe du Nouveau-Brunswick
- Roots & Rivers Consulting
- SafeLink Alberta Society
- SAWITRI Theatre Group
- Social Impact Consulting
- Swan River and District Community Resource Council Inc.
- S4G - Strategies for Good
- The Enchanté Network
- The Neighbourhood Group Community Services
- The Public Speakers Society of Nova Scotia
- Thorold Community Activity Group
- Toronto Foundation
- United for Literacy
- Uzima Women Relief Group International
- Vancouver Foundation
- Vantage Point
- Volunteer Mississauga Brampton Caledon
- Women's Shelters Canada
- YellowTree Grant Services
- YMCA Canada
- YWCA Toronto