

Toronto, 18 March 2020

Hon. Bill Morneau, PC, MP
Minister of Finance
House of Commons
Ottawa, ON K1A 0A6

Hon. Jean-Yves Duclos, PC, MP
President of the Treasury Board
House of Commons
Ottawa, ON K1A 0A6

Dear sirs:

Across Canada, charities, nonprofits, and social enterprises are working hard to help their communities face the ongoing Covid-19 crisis. Whether providing meals to isolated seniors, services to at-risk youth, shelter for the homeless, support for spousal abuse victims, addiction counselling, settlement services for recent immigrants, a place for people of faith to take solace and find comfort, assistance to urban Indigenous peoples, or the countless other contributions that organizations in our sector make, they are determined to fulfil their missions and work with governments at all levels to see us through this situation. For their part, private and community foundations have already made significant commitments to assist front-line organizations in the short-term, by guaranteeing funds and renewals under existing agreements, loosening restrictions on how organizations can use those funds, and significantly easing their reporting requirements.

Our sector faces immense challenges in the current climate. Some of these we have in common with other sectors, some are unique to us. But we need government to be a partner with us.

Quite simply, organizations are seeing the same revenue losses and challenges as private businesses. Unlike many private businesses, though, very few sector organizations have cash reserves on which they can draw during down times. They are also, for the most part, unable to avail themselves of financing opportunities that may be available to private businesses; they cannot issue equity, and because any assets they might have are held in the public trust they are unable to offer collateral for traditional loans.

At the same time, many organizations are seeing increased demand for the services they provide – particularly organizations involved in food security, services to the homeless,

providing support for people with serious illnesses, and providing assistance to seniors. I should note that the cost of providing services is also increasing, as volunteers self-isolate and as extraordinary measures are taken to ensure the health and safety of clients, staff, and volunteers.

Charities and nonprofits can't simply cease their activities during this crisis. It is not in their nature, it violates their legal mandates, and it would increase the strain on public services at a time when we could ill afford this.

Already, we are seeing serious impacts:

- CanadaHelps, which facilitates on-line giving for more than 20,000 charities, saw an immediate drop in donations to charities and a massive cancellation of the charitable events on its events and peer-to-peer platform.
- The Association of Fundraising Professionals informs us that not only are fundraising events being postponed or changed to virtual events, many events across our country are being cancelled. The decline in event revenue coupled with the anticipated reduction of major gift and corporate support will be significant for our sector.
- Arts organizations have cancelled virtually all performances.
- Volunteer-driven fundraising and awareness efforts, such as the Canadian Cancer Society's Daffodil Month, have been cancelled.
- Well-known national organizations have started to lay off staff.
- Staff who are able to work are putting in longer and longer hours as their usual volunteer cohorts follow public health advice and remain at home.
- Food banks and other organizations are feeling the effects of disruptions in the supply chain.
- Facility closures by host organizations are having knock-on effects that jeopardize other services, such as addiction support groups.
- Organizations are starting to limit the services they provide. Yesterday, for example, a number of shelters in Regina announced they were closing their doors and/or curtailing the services they offer.

There is no easy answer, no magic bullet to the challenges we face. And we greatly appreciate the measures that were announced by the federal government this morning that will assist many of the people we serve, our volunteers, and our own staff.

We also appreciate the recognition this morning of the role that charities and nonprofits play as employers. The specific mention of our eligibility for the temporary wage subsidy program has already generated a palpable sense of relief and encouragement.

As the Prime Minister and the Minister of Finance both emphasized that today's announcement was the first of potentially many, and that the federal government would work to ensure that challenges are addressed on an ongoing basis, Imagine Canada today convened a call of several dozen sector leaders from across Canada to identify measures

the federal government could take that would help organizations continue to serve their communities. These ideas include:

- Ensure that charities and nonprofits benefit from any further federal measures that provide employee assistance and help to maintain employment. Where such potential measures involve tax incentives to employers, the government needs to establish proportionate and equivalent measures for charities and nonprofits which, of course, do not benefit from incentives like corporate income tax reductions or holidays. One way the government could provide such relief to charities and nonprofits is to allow them to deduct an equivalent amount from their EI and/or CPP remittances.
- Ensure that communications about such programming continue to refer to employers rather than businesses. Charities and nonprofits employ 2.4 million Canadians and the government's language should recognize this fact. Today's announcement was a welcome development in this regard.
- Ensure that sector organizations are able to access emergency short-term capital in the form of low-interest and/or forgivable loans. The infrastructure recently established to deliver the Investment Readiness Program (itself a part of the Social Finance Fund) could allow for very rapid distribution of said capital. The situation is too dynamic to collect comprehensive data, but we estimate an investment of \$1 billion would allow a significant number of front-line organizations to cover their cash flow needs for at least the next 15 weeks. The umbrella organizations representing both private and community grantmaking foundations support this idea.
- Accelerate the investments that are already envisioned through the Social Finance Fund.
- Ensure that all government departments and agencies continue to flow funds through grant and contribution programs, that flexibility be emphasized in program delivery timelines and the use of these funds, and that administrative burdens related to reporting and renewal be minimized. The measures announced by your colleague the Hon. Steven Guilbeault, for programs administered by Canadian Heritage, are a good starting point.
- Enhance the Charitable Donation Tax Credit for charitable donations made and claimed in the 2020 tax year. A Credit of 75% or more should be considered.
- Consider a matching program for charitable donations made by Canadians during this crisis, modelled on the government's past commitments during natural disasters and international crises.
- For the duration of the emergency, allow charities and foundations to make disbursements to non-qualified donees, as long as those disbursements further their charitable purpose. We should not allow old and arguably out-of-date rules to prevent us from meeting urgent needs on the ground. This would particularly impact organizations' ability to work with equity-seeking community-based groups.
- In a similar vein, temporarily implement an expenditure responsibility test, rather than the existing direction and control requirements, to allow organizations to better support the work of community partners. This would allow charities to enter

into true partnerships with these partners rather than the paternalistic approach required by the existing direction and control requirements.

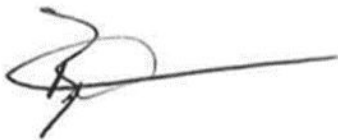
- For the duration of the crisis, allow charities to adopt a “destination of funds” test, allowing them to expand the range of activities they use to generate own-source revenue.
- Extend the deadline for charities to submit their T3010 annual return to the Canada Revenue Agency for at least 6 months. With staff at all levels meeting front-line needs, with access to facilities and books being limited, and with limited access to contract professionals like bookkeepers and auditors, it will simply not be possible for many organizations to meet the regular filing deadline.

We have long pointed out that there is no “home” in the federal government for our sector as a whole, and the current crisis makes the consequences of this oversight very clear. To that end, we also urge you to work with your cabinet colleagues to identify a minister to serve as point person for the sector, so that as events unfold over the coming weeks and months we know to whom we can best turn to discuss issues and measures that affect charities and nonprofits as a whole.

We appreciate the challenges you and your colleagues face in this rapidly changing situation. Charities and nonprofits stand ready to do their part to help communities weather this storm, but the federal government needs to act quickly to ensure they are able to do so.

We appreciate your attention to this and would be happy to convene sector leaders to discuss these ideas, and any others that you may have, with you.

Yours truly,

A handwritten signature in black ink, appearing to be 'Bruce MacDonald', with a long horizontal line extending to the right.

Bruce MacDonald
President & CEO

cc: Prime Minister Justin Trudeau
Hon. Ahmed Hussen, Minister of Families, Children and Social Development
Hon. Carla Qualtrough, Minister of Employment, Workforce Development and Disability Inclusion
Hon. Diane LeBouthillier, Minister of National Revenue