

Background

During the height of the pandemic, several federal relief programs were introduced to help businesses recover from the economic impacts of emergency health measures. Programs such as the Canada Emergency Response Benefit (CERB), Canada Emergency Wage Subsidy (CEWS) and Canada Recovery Hiring Program (CRHP) were introduced to provide businesses with relief. Initially, the nonprofit and charitable sector, a key actor in the economic prosperity and wellbeing of Canadian society, was not included in the relief programs. The sector fought hard to be included in those programs and to raise awareness of the sector's role in the economy. When subsequent relief programs were introduced including the Hardest-Hit Business Recovery Program (HHBRP) and the Tourism and Hospitality Recovery Program (THRP) large segments of the sector were not eligible for support.

The nonprofit sector is an important actor in Canadian society. There are more than 170,000 nonprofits and charities across the country. Altogether, the sector employs more than 2.4 million people which accounts for more than 8.3% of Canada's GDP. When creating federal relief programs charities and nonprofits must be included. The following brief has been created to highlight the unique characteristics of the sector that must be considered when designing federal relief programs.

Characteristics for Consideration:

Revenue Decline

Eligibility criteria for previous recovery programs such as the Hardest-Hit Business Recovery Program (HHBRP) and Tourism and Hospitality Recovery program were too stringent and presented significant challenges for the nonprofit and charitable sector due to the high barriers to entry as applicants were required to demonstrate a revenue decline of 40 or 50% to qualify. For charities and nonprofits, a revenue decline of up to 50% would severely impact service delivery resulting in decreased well-being for the communities served.

Recommendation:

- *Ensure programs are designed to accommodate the unique characteristics of various sectors. A one-size-fits-all approach is not suitable for many sectors including the nonprofit and charitable sector.*

Revenue Generation

Charities and nonprofits often receive revenue seasonally instead of monthly despite maintaining full-time staff throughout the year. For example, large portions of revenue are usually generated during the holiday season. Similarly, organizations that generate revenue through service provision, like summer camps, are only able to claim revenue when a service is provided. Previously designed emergency support measures failed to account for the revenue patterns of charities and nonprofits. Many

organizations in the sector were only eligible for support during the periods they generated revenue despite maintaining full-time operations.

Recommendation

- *Ensure eligibility criteria are designed with the nonprofit and charitable sector in mind. Eligibility criteria should allow applicants to average revenue decline over a span of 12-months instead of on a month-to-month basis.*

Independent Contractors

Because the funding environment for the charitable and nonprofit sector is inherently precarious many organizations rely on independent contractors to perform work in the sector. In the arts & culture sub-sector, independent contractors comprise a large segment of the workforce although they are not considered employees. Although some independent contractors may have worked full-time, they were not eligible to receive support from emergency measures because they were not considered employees.

Recommendation

- *Ensure programs include support for independent contractors when developing eligibility criteria.*

Tax Credits

To support the business community, the government often provides tax credits to relieve their financial burden and promote actions such as research and development. Tax credits are not suitable for charities as they do not pay income taxes. Consequently, they do not receive any financial relief from tax credits.

Recommendation

- *Ensure alternative relief measures (such as loans and grants) are provided to charities when offering relief to for-profit companies through tax credits.*

Earned Revenue

Over 40% of community nonprofit revenues come from earned income activities, such as ticket sales, social enterprises and membership fees. Nonprofits and charities can benefit from many of the same supports offered to businesses. The sector would benefit greatly from participating in programs such as the [Canada Digital Adoption Program](#) which helps small and medium-sized enterprises in Canada boost their e-commerce presence and digitize their business.

Recommendation

- *Ensure charities and nonprofits are included when designing programs for business enterprises.*

Consultancy supports

A critical barrier many organizations faced regarding accessing federal relief programs was capacity. Many organizations, especially smaller organizations, do not have the time or financial knowledge and skills required to complete an application. Therefore, organizations refrain from applying as the process is deemed to be too burdensome.

Recommendation

- *Provide charities and nonprofits with access to support services to aid in the completion of program applications.*

Our sector is relied upon by millions of people in Canada and overseas. Nonprofits and charities face immense challenges. For the sake of the communities we serve, the government must consider the sector when designing programs for businesses and other enterprises. Ultimately, the best way to address the considerations listed above is for the federal government to establish a “home” for the sector within the permanent machinery of government. A home in government will ensure there is a federal entity charged with ensuring the health of the sector during times of crisis as seen during the pandemic.