

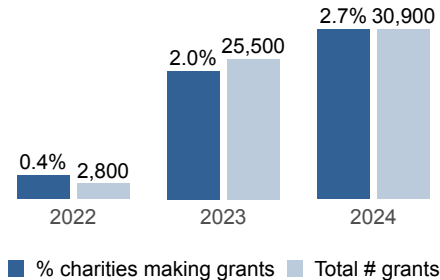
HOW ARE CHARITIES USING GRANTS TO NON-QUALIFIED DONEES IN THEIR WORK?

The passage of the 2022 Budget Implementation Act gave foundations and other charities the ability to make grants to non-qualified donees. This factsheet describes how charities are using this new option to further their work.

LEVEL OF GRANTING ACTIVITY

2.7% of charities make grants to NQDs

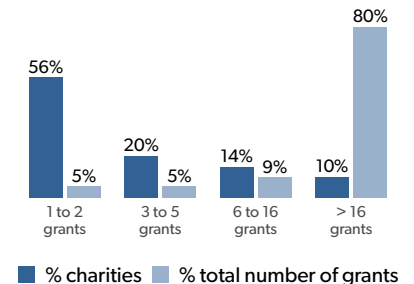
Both the percentage of charities making grants to NQDs and the number of grants they make have increased significantly since the new rules came into effect.



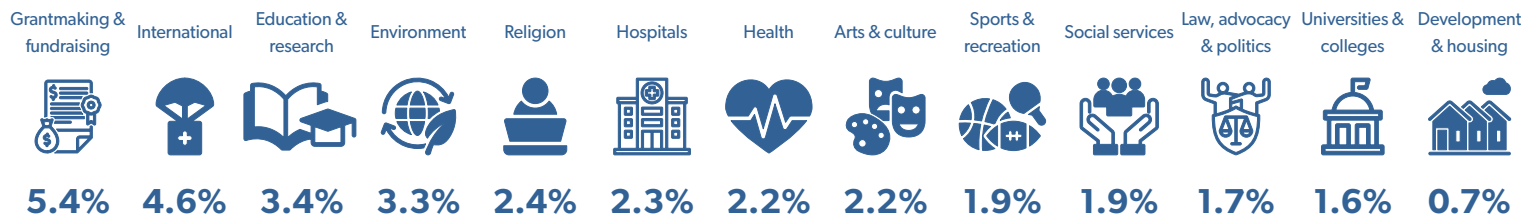
CONCENTRATION OF GRANT ACTIVITY [2024]

Most charities making grants to NQDs made just 1 or 2.

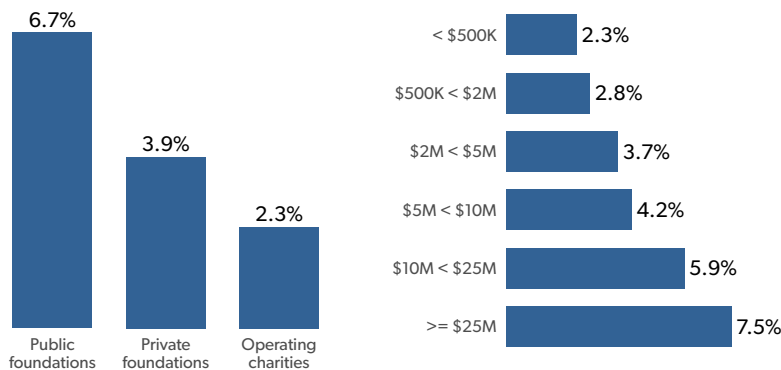
The top 10% of charities making the most grants account for the overwhelming majority of grants.



PERCENTAGE OF CHARITIES MAKING GRANTS TO NON-QUALIFIED DONEES BY ACTIVITY AREA [2024]



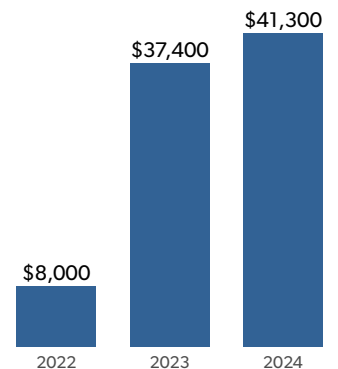
% MAKING GRANTS BY DESIGNATION AND REVENUE SIZE [2024]



TYPICAL AMOUNTS GRANTED TO NQDs

The value of the average reported grant is significant and has grown rapidly.

Overall, the average sizes of grants to NQDs and gifts to qualified donees are roughly on par with one another.



What are grants to non-qualified donees?

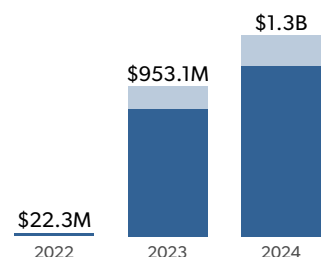
Grants are a new way for charities to work with individuals or organizations that are not *qualified donees* (see Glossary). Before the new rules, charities had to treat them as intermediaries, retaining direction and control over activities carried out on the charity's behalf. Now, with some additional conditions, charities are able to transfer resources to non-qualified donees in much the same way as they make gifts to qualified donees.

REPORTED VALUE OF GRANTS TO NQDs

At present, we do not know the exact total value of grants made to NQDs.

Although we know what charities *reported*, close examination of the T1441 forms filed by charities indicates that a significant fraction of grants over \$5,000 were made to **qualified** rather than non-qualified donees (i.e., that they should be considered gifts to qualified donees instead of grants).

Currently, we estimate that at least one in eight grants over \$5,000 (accounting for perhaps 15% of the total value of grants reported) should actually be considered gifts to qualified donees.



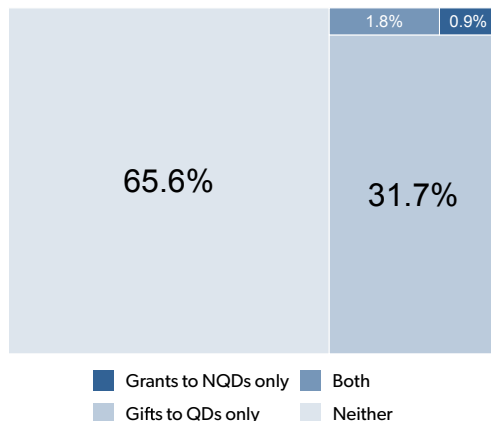
Estimated 15% misclassified gifts to QDs

This estimate should be considered preliminary and subject to change based on additional analysis.

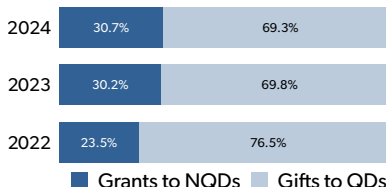
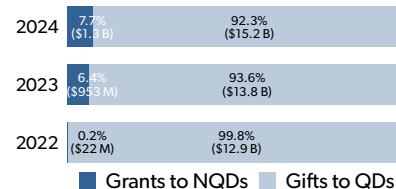
RELATIONSHIP WITH SUPPORT FOR QUALIFIED DONEES [2024]

Overall, about a third of charities provide support to qualified or non-qualified donees.

NQD support is usually in addition to support for qualified donees (QDs). Two thirds of organizations that make grants to NQDs *also* make gifts to QDs.



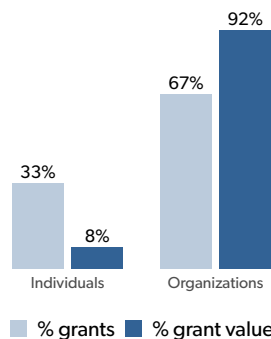
While the total value of grants is considerable, gifts to qualified donees account for the vast majority of the value of support charities provide.



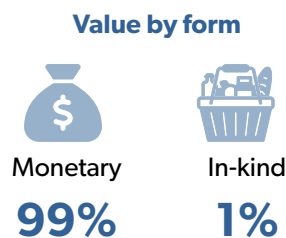
On average, charities supporting both NQDs and QDs contribute just under a third of their support to NQDs (grants) and the rest to QDs (gifts).

ALLOCATION OF GRANTS BY BENEFICIARY & FORM [2024]

NQDs can be individuals or organizations...



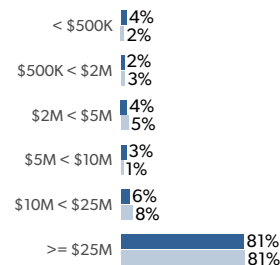
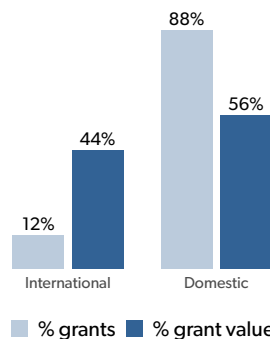
...and grants to NQDs can be monetary or in-kind.



Most support goes to organizations, almost always as monetary contributions.

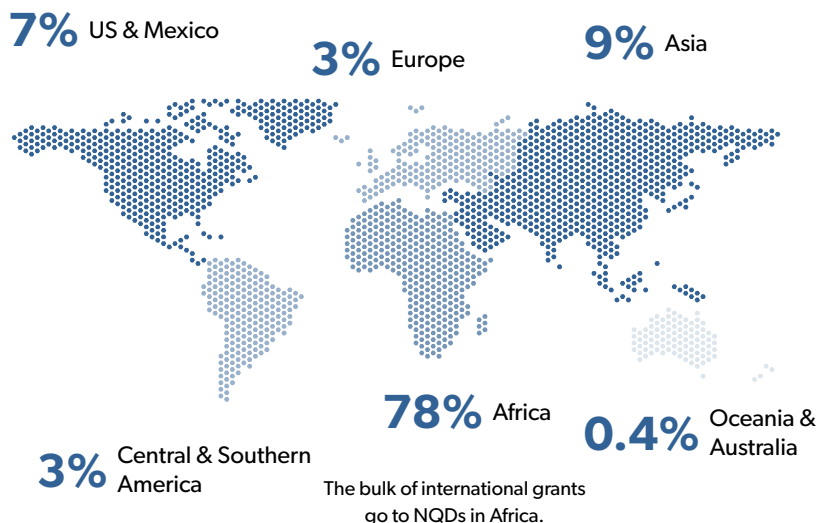
SUPPORT FOR INTERNATIONAL NQDs [2024]

International grantees receive a much larger fraction of total grant value than number of grants.



Very small charities provide a slightly higher proportion of the value of International grants.

INTERNATIONAL SUPPORT BY GEOGRAPHIC LOCATION [2024]



GLOSSARY

Qualified donee. A Canadian charity, amateur athletic association, journalism organization, low-cost housing corporation for the aged, municipal or public body performing a function of government, or selected foreign university registered with CRA, as well as the provincial and federal Crowns, certain foreign charities that have received a gift in right of Canada within the last two years, and the United Nations and its agencies.

Non-qualified donee. An organization or individual that is not a qualified donee.

Gift. A transfer of money or other resources from a charity to a qualified donee.

Grant. A transfer of money or other resources to a non-qualified donee, used exclusively for charitable activities in furtherance of the granting charity's charitable purposes. Granting charities must retain sufficient documentation to demonstrate this.

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For more detail, please use the QR code or see: <https://imaginecanada.ca/en/research/grants-to-non-qualified-donees>

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