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The Hidden Cost of Funding

How Federal Policies and
Practices Impact Nonprofits
and Their Communities

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Imagine Canada is a national charitable organization whose cause is social good in Canada. We work to bolster the charities, nonprofits, and social entrepreneurs who build, enrich, and define our nation and the communities they support around the globe.

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Executive Summary

Nonprofits are a vital part of the daily social and political life of Canadians, yet they struggle to secure adequate funding. This study used a participatory community-based mixed-methods approach to examine the impact of federal funding policies and practices on (i) funded nonprofits, (ii) the communities they serve and (iii) the ability of the federal government to meet the objectives laid out in its funding programs.

We focused on the perspectives of nonprofits funded by five federal departments: Employment and Social Development Canada (ESDC); Women and Gender Equality Canada (WAGE); Indigenous Services Canada (ISC); Immigration, Refugees and Citizenship Canada (IRCC); and Canadian Heritage (CH). These departments were identified as top funders of nonprofits who serve diverse communities. Further research could examine funder perspectives to provide a more comprehensive understanding of the federal government's funding relationship with the nonprofit sector.

Our data collection activities included sixteen interviews with nonprofits and a short survey of eight of those organizations. We also conducted focus groups and interviews with nine community members associated with four of the nonprofits and several interviews with experts. Collectively, we engaged thirty-nine individuals from coast to coast to coast.

Key Findings

A Deep Dive Into Federal Policies Revealed Root Causes of Funding Challenges

Our policy review revealed how the federal government frames and governs its funding for nonprofits. These policies conceptualize nonprofits primarily through a lens of financial assistance and need—language that differs markedly from how procurement policy frames the private sector. The government's neoliberal orientation is embedded in policy language and administrative design, contributing to strained funding relationships and reduced nonprofit autonomy.

We traced how requirements from foundational financial management legislation trickle down to shape grant and contribution policies and ultimately lead to problematic practices such as requirements for frequent reporting without regard for organizational capacity. Certain elements of the policy framework undermine the sector's effectiveness and therefore hinder the government's ability to advance its own policy objectives through funding programs.

Funding Relationships Are Generally Positive, but Maintaining This Dynamic Requires Significant Effort From Nonprofits

Nonprofits expressed gratitude for the federal funding they receive, and 75% of those we interviewed reported positive relationships with federal departments. The remaining 25% of organizations described their funder relationship as negative or tenuous, characterized by limited responsiveness and unclear expectations.

We found that maintaining positive relationships depends on a constellation of individual, organizational, and systemic factors and often requires an ongoing investment of labour from funded organizations. On the federal government's side, the knowledge and responsiveness of individual program officers plays a significant role. On the nonprofit's side, individual and organizational factors include ongoing organizational effort, social capital, and the volume of concurrent funding agreements. Systemic factors include responsiveness of departmental leadership, changes in the public service workforce, and shifting public sentiments.

Nonprofits Identified Funder Practices That Both Foster and Hinder Community Impact

Funder practices play a critical role in shaping whether organizations and the communities they serve experience meaningful and sustained positive outcomes. Nonprofits described funder practices that both enabled and hindered community impact.

Enablers took the form of both structural factors and everyday practices. They include:

- Flexible, multi-year funding
- Trust-based relationships
- Reduced reporting requirements
- Responsiveness to changing circumstances and community-defined priorities

When funders invest in long-term partnerships with funded organizations, provide support in managing compliance requirements, remain flexible, and reduce administrative burden, nonprofits are better positioned to focus on mission-driven work.

The funder practices that were identified as barriers by nonprofits create challenges for daily operations and jeopardize the long-term impact of federal funding. They include:

- Short-term or highly restrictive funding
- Shifting priorities with sudden and urgent requests
- A lack of transparency and responsiveness
- Limited support for navigating funder expectations

These practices can strain staff capacity, create instability, and divert attention away from community impact toward compliance. Over time, organizations perform significant relational work to ensure that funder interactions remain positive, highlighting the hidden costs of managing these essential partnerships.

Ultimately, how nonprofits are impacted by federal funding practices varies depending on many factors including an organization's resources, leadership experience, and the specific needs of the communities they serve. What empowers one organization may challenge another, underscoring the importance of context-specific, recipient-focused funding relationships and practices.

Quantifying Time and Resource Impacts of Funder Requirements Elucidated Trade-offs Between Compliance and Serving Communities

We fielded a follow-up survey to expand on the interview findings by quantifying the time and resource impacts of federal funding requirements. Respondents reported:

- Spending on average ten to forty hours per funding application
- Dedicating ten to forty hours to funder reporting requirements in the last month
- Spending on average two to ten hours on financial auditing

Organizations constantly balance funding requirements with operational and program delivery work in a context of limited staff capacity. They described the cumulative burden of routine approvals, permissions, and administrative paperwork. Reporting requirements place particular strain on small and rural nonprofits, creating layered pressures that make it difficult to focus on serving their communities.

To manage these demands, organizations adopt various strategies. Some attempt to create internal efficiencies, while others reduce programming. However, these adaptations often carry negative consequences, including a decreased capacity to serve the community. Organizations suggested that streamlined reporting requirements could improve staff retention, reduce burnout, and strengthen program delivery. Greater flexibility could also increase staff capacity for advocacy and innovation.





Communities Emphasize That Funding Challenges Have Serious Impacts for Our Society

Community engagement activities—including focus groups and interviews—complemented the survey and organizational interviews by incorporating community perspectives on the impacts of funding practices. Community members:

- Emphasized the urgency of addressing basic needs, noting that many federally-funded programs support fundamental human rights but are often underfunded
- Raised concerns about staff burnout linked to unstable funding and expressed uncertainty about the future of programs and services
- Highlighted that disruptions in services can have serious consequences for marginalized groups
- Underscored the importance of long-term, stable funding as a means of supporting healing and well-being in equity-denied communities

Recommendations

Based on our findings, we have identified eleven achievable ways to build a more fair and sustainable funding system for the future. These recommendations relate to policy reform, funding practices and relationships.

Policy Reform

- Revise policy language to explicitly recognize nonprofits as strategic partners.
- Fully implement policy recommendations from the 2006 report of the Independent Blue Ribbon Panel on Grant and Contribution Programs and the 2019 report of the Special Senate Committee on the Charitable Sector.
- Create a mechanism for the nonprofit sector to provide feedback on funding policies, directives, and guidelines.
- Develop plain language resources and guides for program officers to promote understanding of funding policies.
- Establish ongoing communication channels between the nonprofit sector and departments focused on federal funding.

Funding Practices

- Implement and enforce improved service standards for the work of federal program officers.
- Create accessible, anonymous feedback mechanisms for current and past funding recipients.
- Identify and scale good practices through collaboration across federal departments and with Treasury Board Secretariat.

Funding Relationships

- Develop mandatory training and continuing education programs for departmental staff.
- Implement competency standards for program officer knowledge on nonprofit sector realities.
- Implement structured handover processes and documentation systems for new program officers.



Introduction

The relevance and necessity of nonprofits in Canada continue to grow, but their access to sustained funding remains challenging. Canadians are facing growing social and mental health needs that are closely tied to economic stressors like housing, food, and income insecurity. In 2023, two in five Canadians reported their mental health has been negatively affected by economic pressures, and about one in three households struggled to meet basic expenses such as housing, food, clothing, and transportation — factors strongly linked to their mental health (Canadian Institute of Health Information (CIHI), 2024; Statistics Canada, 2023a; Statistics Canada, 2023b). In a recent survey of ten high-income countries, Canadians were more likely than individuals in other high-income countries to report not having access to the mental health care they need (CIHI, 2024). The demand for social and economic supports is increasingly urgent. Many argue a strong social safety net, a core responsibility of the federal government, is essential to meeting this demand (Hicks, 2025).

A nonprofit's capacity to respond to the growing needs of Canadians is largely determined by access to sufficient and stable financial resources. In addition to affecting overall organizational resilience and sustainability, the types of financial resources an organization secures directly affect its

capacity to attract and retain workers, deliver and measure the effectiveness of programs, and leverage capital to support new initiatives and innovations.

This project examines the funding relationship between the federal government and the nonprofit sector in Canada, approaching it not as a single transaction or policy arrangement, but as a complex and dynamic system. Federal funding relationships are shaped by multiple actors operating at different levels of government, each bringing distinct roles, incentives, and interpretations of policy. These interactions unfold within a broader landscape of legislation, administrative rules, and socio-political conditions that guide decision-making across the federal bureaucracy and, in turn, shape the experiences of nonprofits. Understanding this relationship therefore requires attention to both structure and agency, as well as to the cumulative effects of policy, practice, and context.

We have scoped this research to focus on nonprofit experiences of federal funding and nonprofit perspectives on their relationships with federal departments. Although there are multiple parties involved in every relationship, relationships between funders and funding recipients are shaped by unequal power and resource dynamics. While the perspectives

of federal funders are not included here, future research could build on this work by examining funder perspectives to provide a more comprehensive understanding of the relationship.

This project aimed to peel back the layers of the federal funding system to better understand the underlying mechanisms that drive dynamics between the government and the nonprofit sector and to examine how these mechanisms shape community experiences. While the complexity of these relationships can be daunting, it also provides multiple points of entry for understanding and transformation. Rather than seeking a single mechanism or lever that explains funding outcomes, this work treats the relationship as a constellation of interrelated factors. By examining how these components interact, we can begin to identify where points of intervention may exist across the funding ecosystem.

By unpacking these dynamics, the overall objective of this project was to enhance nonprofits' ability to support their communities through improved federal funding practices. This project adopted a community-based participatory action approach to examine the impact of federal funding policies and practices on (i) funded nonprofits, (ii) the communities they serve, and (iii) the ability of the federal government to meet the objectives laid out in its funding programs. We focused on nonprofit organizations who have received federal funding from five key departments which were identified as top funders of nonprofits who serve diverse communities. The departments are: Employment and Social

Development Canada (ESDC); Women and Gender Equality Canada (WAGE); Indigenous Services Canada (ISC); Immigration, Refugees and Citizenship Canada (IRCC); and Canadian Heritage (CH). Focusing on these departments ensured comparability of research findings and diversity across the nonprofits and communities represented in this project.

Historical Trends in Federal Funding

Nonprofits are connected to the daily social and political life of Canadians, serving the needs of communities and shaping how governments understand and respond to these needs through advocacy and public policy (Richmond & Shields, 2024).

Over the last few decades, shifts in the socio-political economy have informed the relationship between the federal government and the nonprofit sector (Joy & Shields, 2020). This relationship has evolved through many iterations, with each shift impacting federal funding models, policies, and practices. The first half of the twentieth century, prior to World War II, was influenced by classical liberal principles limiting government involvement, placing an emphasis on personal responsibility and allowing private institutions to address the social and economic needs of individuals (Evans, Richmond, & Shields, 2005; Evans & Shields, 2000). At this time, the nonprofit sector consisted primarily of religious or private charities and civil society associations with some local government support.

In the decades following World War II, there was an exponential growth in the variety and scope of public institutions responding to community and social needs, including hospitals, religious groups, charities, and educational institutions (Evans & Shields, 2000). This period was characterized by a new liberalism arguing for increased government involvement in providing social services and a safety net to promote wellbeing for all citizens. This led to the development of the social welfare state, where organizations provided services to address inequity and support marginalized communities. The relationship between the federal government and nonprofits and charities evolved into a partnership model. Although there was growth in the number of public institutions and charities during this period, there were still far fewer charities and nonprofits than there are today.

By the 1980s, there were strong shifts towards a neoliberal model characterized by downsizing of the government through divestment from responsibilities for the social and economic rights of citizens and the transfer of these functions outside of government to society. During this neoliberal restructuring, the government adopted the new public management framework and the nonprofit sector became a primary mechanism to provide and deliver public services through a contract relationship with the government. This restructuring brought with it an emphasis on fiscal constraint, management, performance measurement, and competition in the public sector (Evans, Richmond, & Shields, 2005). In practice, policy and political rhetoric



prioritize self-reliance and competition (Evans et al., 2005). A contentious proposition in this logic is that the nonprofit sector should be expected to replace many of the social welfare functions of the government. However, it does not have the necessary capacity, resources, or stability to do so.

Many of these neoliberal values hold until today (Richards & Shields, 2024). In the following decades, these principles influenced the shift from the availability of some core funding to a model where restrictive, project-based funding is dominant. This shift is evidenced in the move away from a partnership model where funding supported broad missions to a more restrictive model of funding focused on specific projects, where new public management practices became a way to regulate and oversee nonprofits.

The politics of austerity grew over the Great Recession period beginning in 2007 and the federal government's avoidance of social provision responsibilities caused significant funding cuts to social services (Joy & Shields, 2013). In the years following this recession, austerity and substantial restructuring of government characterized public policy. For many nonprofits, this meant a higher demand for services, more complex community needs, less resources for preventative programming, more crisis intervention and decreasing levels of funding (Social Planning Network of Ontario, 2009). In general, recessions disproportionately impact equity-denied communities and resulting government austerity measures further disadvantage these same communities. Organizations serving racialized, Indigenous, and 2SLGBTQIA+ communities and women were disproportionately impacted by these reforms (Canadian Women's Foundation et al, 2020; Palassio, 2025; Pereira et al., 2020). Nonprofits often struggled to meet growing demands even with increased volunteer hours, staff hours, and overtime (Social Planning Network of Ontario, 2009).

Although federal spending practices and funding priorities shifted following the 2015 election of the Liberal Trudeau government, many researchers argue that this change did not fundamentally alter the neoliberal framework guiding federal operations. While the political leadership changed, the underlying approach to public management and accountability remained largely consistent, meaning funding dynamics between the federal government and nonprofit organizations did not undergo a meaningful transformation (Richmond & Shields, 2024).

Since 2020, economic conditions related to the COVID-19 pandemic and the related recession have shaped the nonprofit landscape through changes in community needs, organizational capacity, and funding. Several recent initiatives by the federal government show a growing willingness to provide some core and capacity-building funding. These initiatives include the 2SLGBTQI+ Community Capacity Fund, the Supporting Black Canadian Communities Initiative, and the Community Service Recovery Fund. These initiatives focused on building the capacity and infrastructure of nonprofits, particularly local grassroots organizations. Although these initiatives created short-term benefits, there were concerns about the limited sustainability (Enchanté Network, n.d.; House of Commons, 2022; Nia Centre for the Arts, 2022).

The federal government's pandemic-related health and social spending increased during this time, but by 2024, funding levels returned to pre-pandemic levels. With the newly elected Carney Liberal government in 2025, there is increasing focus on ways to manage programs effectively, reduce red tape, and limit excessive bureaucracy, creating opportunities for some improvements in how funding programs and policies are administered. However, the government has also committed to cutting budgets across government by 15% over three years through a Comprehensive Expenditure Review. Based on historical precedent, projected funding cuts may disproportionately impact equity-denied groups who are already facing funding precarity. Further cuts would impact their capacity to serve already marginalized communities (Canadian Women's Foundation et al, 2020; Palassio, 2025; Pereira et al., 2020).

A situation which developed at WAGE in 2025 illustrates how federal-nonprofit funding relationships are dynamic and vulnerable to political change. Delays to the federal budget cycle created by prorogation and the federal election in Spring 2025 meant that WAGE's departmental spending plan showed a projected 80% decrease in funding. While most departments' spending plans were impacted to some extent by the budget cycle changes, WAGE's funding projections were particularly dramatic. This highlighted that much of the government's previous investments in the department had been short-term, while many other departments had more ongoing or statutory funding. This situation highlighted how vulnerable short-term funding commitments are when political winds change.

At this time, there was little information available and little communication with funded organizations, leaving many uncertain about their ongoing funding agreements and creating significant stress for an already stretched sector. In response, gender equality and 2SLGBTQIA+ organizations mobilized, coordinated advocacy efforts, and submitted letters signed by sector leaders to push back against these cuts (Palassio, 2025). Ultimately, the government announced new funding for the department in Fall 2025, highlighting both the precarity of these relationships and the sector's capacity for collective action.

In conclusion, as these historical trends highlight, the relationship between the federal government and nonprofit sector has shifted to reflect the political, social, and economic context. This relationship will continue to change and, as such, there are opportunities for the sector to influence any future changes.

Neoliberal Governance and the Nonprofit Sector

The economic, social, and political impacts of neoliberalism and new public management practices on the relationship between the government and the nonprofit sector are well documented. These dynamics force organizations that were initially created to pursue a social mission to operate like businesses, commercializing their operations to generate earned income and secure funding (Baines et al., 2014; Evans & Shields, 2000; Evans, Richmond, & Shields, 2005; Gill, 2021; Richmond & Shields, 2024).

While neoliberalism has a range of conceptual nuances (Laruffa, 2023), for the purpose of this project we will define it as a political ideology of governance that proposes that citizens are best served through an open, competitive and unregulated market and that the state has a minimal role in society (Gill, 2021; Laruffa, 2023; Evans and Shields, 2000). New public management is the administrative mechanism through which neoliberal reform is embedded in processes, practices, and associated governance models (Evans and Shields, 2000). Over time, nonprofits are forced to function more like businesses although their core purpose remains community service delivery (Evans & Shields, 2000; Evans, Richmond, & Shields, 2005).

Although there are a range of perspectives about the benefits and harms of these changes, there is agreement that these shifts have changed the relationship between federal funders and the nonprofit sector. To understand how neoliberalism shapes federal funding practices and its downstream impacts on nonprofits and communities, it is necessary to examine the specific mechanisms involved. Neoliberalism and new public management do not operate through a single policy change, but through a series of interconnected administrative and governance shifts. Each mechanism carries specific implications; collectively, they restructure the relationship between the federal government, the nonprofit sector, and communities.

First, neoliberal rhetoric and practices have restructured the state-society relationship by downsizing government and outsourcing public responsibilities to private entities. The government moves away from its previous caring role in society and reduces investment in upholding the social and economic rights of citizens. Although some would argue this is only a realignment of the partnership between the state and the sector, others stress these shifts are changing the nature and capacity of the sector (Evans & Shields, 2000; Richmond & Shields, 2024). A core mechanism of neoliberalism is the reduction of the direct role of the state in service delivery and provision, referred to as depoliticization (Lowe, Richmond, & Shields, 2017). This shift is often justified in terms of efficiency, flexibility, and fiscal responsibility. Outsourcing is framed as enabling specialized community-based organizations to deliver services more effectively.

Nonprofits take on the responsibility of delivering essential public services but generally don't receive investments in their long-term stability. This gap raises concerns about whether the sector can replace the government as a comprehensive provider of public services. Communities, in turn, have access to services through short-term providers with continuity depending on funding cycles.

A direct result of depoliticization is the contractually-focused relationship between the sector and the government, a mechanism referred to as marketization or commercialization. Market logics and rationalities are introduced into the nonprofit sector through competitive procurement processes, short-term contracts, and performance-based funding. The government incentivizes the sector to function like a market and organizations like businesses even though they were historically mission-driven and community-rooted.

This creates conditions where organizations serving similar missions must compete for funding, focus more resources on applications and reports, and meet increasing compliance requirements. These conditions disadvantage smaller, community-based nonprofits relative to larger, well-established and better resourced nonprofits. Additionally, the metrics of success favoured within this approach put increasing pressure on organizations to carry out short-term, measurable programming rather than focusing on relational, preventive, or systemic strategies. Over time, this leads to an underinvestment in community relationships, advocacy, and systems change.



The cumulative result is a governance system, referred to as centralized decentralization, in which responsibility for service provision is transferred, but the power over funding conditions and performance definitions remains centralized. Nonprofits carry operational risk, while the government retains financial and regulatory control. These mechanisms interact to reshape incentives and expectations, redistribute risk, and alter accountability relationships between government, nonprofits, and communities.

Neoliberalism and new public management collectively construct a context in which public services are delivered by independent agencies, measured through business-oriented metrics, and increasingly disconnected from community feedback.

Nonprofit Sector Funding Environment

Given the critical role of the nonprofit sector in the provision of social and environmental programs and services, these organizations need reliable and flexible funding structures. Nonprofits rely on multiple sources of income to cover operational and service delivery costs. These include earned revenues, support from different levels of government, private sector contributions, philanthropic funds, membership fees, and individual donations.

Income sources fluctuate over time and are vulnerable to shifts in the broader operating environment. They also vary by level of flexibility, term length, and by which costs they can be used to cover. Given these unpredictable and inconsistent funding conditions, nonprofits

must rely on multiple concurrent funding sources to cover all their project and operating costs. Operating costs include a range of administrative, human resources, facility, and technology related expenses, while project costs are specific to service planning and delivery.

Unrestricted or core operating funding gives organizations flexibility to use the funds as needed. Project funding agreements are often short-term and include restrictive conditions that limit the funding to specific purposes or activities. When nonprofits rely heavily on short-term, project-based funding, community programs can start, stop, and restart at unpredictable intervals. These agreements also impact staff retention through increased turnover. This dynamic makes it challenging to build organizational sustainability and invest in improving service quality.

Although administrative data on nonprofit funding experiences are limited, annually Statistics Canada uses a broad range of survey and administrative data sources to report on nonprofit incomes and expenditures (see Table 1). Overall, nonprofits rely most on earned income generated through sales and membership fees. Although the proportion of earned incomes has decreased marginally between 2019 to 2023, it remains the largest source of income. Similarly, donations are an important source of income. Although the proportion of Canadians claiming tax credits for charitable donations is trending downward, Canadians claimed \$12.8 billion in charitable giving in 2023 (Lasby, 2025). Earned income and donations are the most enabling income sources for organizations as they have full flexibility to use the funds as needed. The figures in Table 1 are aggregates, and organizations’ actual revenues may vary significantly based on a variety of factors.

TABLE 1

Community nonprofit sector income sources from 2019 to 2023

Income source	2019	2020	2021	2022	2023
Earned income (including membership fees)	40%	34%	32%	35%	37%
Provincial government funding	19%	23%	25%	25%	26%
Donations	17%	16%	16%	15%	16%
Federal government funding	8%	15%	12%	11%	10%
Investment income	7%	5%	7%	5%	4%
Philanthropic and corporate funding	5%	5%	5%	5%	5%

Note: Statistics Canada. Table 36-10-0613-01, Production, income and outlay accounts of nonprofit institutions (x 1,000,000), 2019-2023; <https://doi.org/10.25318/3610061301-eng>.



Funding diversification has many benefits including managing risk, improving financial stability and mitigating the influence of any one funder's interests or priorities. Relying heavily on specific funding sources can make nonprofits vulnerable to economic, policy, or funding priority shifts. It can also risk compromising their unique mission for funder interests, often referred to as mission drift.

By generating their own revenue – through fees, membership, and fundraising – nonprofits reduce vulnerability to political shifts and funding cuts, increase flexibility in responding to community needs, and sustain programs even when federal funding is limited. This data also challenges misperceptions that nonprofits rely primarily or excessively on government funding. In reality, many organizations carry substantial responsibility for delivering programs and services while piecing together revenue from multiple streams. These patterns of revenue diversification reflect the resilience and innovation of the sector and underscore that nonprofits are active economic contributors while increasingly shouldering a larger share of the collective responsibility for maintaining Canada's social safety net.

As Table 1 highlights, federal funding makes up a relatively small proportion of the community nonprofit sector's income. While the federal government is not the largest overall source of funding, it remains a critical one for sustaining the sector's work, particularly through its focus on projects of a national scope, measures to address regional needs and areas of federal jurisdiction. However, the federal government is consistently identified as a challenging

funder. Organizations highlight persistent challenges such as the administrative burden of applications, reporting, and audits; short funding terms; and limited flexibility in resource allocation (Environment Climate Change Canada, 2024; Edwards, Jensen, & Mauermann, 2022; Special Senate Committee on the Charitable Sector, 2019; Treasury Board Secretariat, 2006). These tensions represent the challenges in balancing the different needs and priorities of the government and the sector.

Over the past few years, community nonprofits have received 8-15% of their revenue from federal funding, but this aggregate figure masks significant variation across the sector. The federal government plays a more central role in sub-sectors working in areas of federal jurisdiction (e.g., immigration, Indigenous services, and official language minorities). Some nonprofits rely far more heavily on federal support than others, depending on their mandate, capacity, access to alternative funding sources, and available revenue-generating opportunities. As a result, funding realities are uneven and shaped by organizational context rather than representing a uniform pattern across the sector.

Purpose of This Study

Academic and grey literature on the relationship between the federal government and the nonprofit sector has grown significantly over the last two decades. However, several knowledge gaps remain. First, there is growing evidence of the role of neoliberal principles and new public management practices in shaping Canadian public policy (Evans, Richmond,

& Shields, 2005; Fanelli & Tufts, 2017; Gill, 2021), however, how these principles are embedded in federal funding policy language is unclear. Second, longstanding challenges with federal funding practices are documented as early as 2006 and continue to be relevant through growing anecdotal evidence (Edwards, Jensen, & Mauermann, 2022; Environment Climate Change Canada, 2024; Treasury Board Secretariat, 2006). However, we need further research to understand how funding practices vary within and across departments and how these practices impact a range of different nonprofits depending on their capacity, resources, and region. Additionally, research identifies disparities in access to funding and variations in funder practices across diverse communities experiencing systemic barriers and oppression (Canadian Women's Foundation et al, 2020; Palassio, 2025; Pereira et al., 2020), but the impact of federal funding practices on these communities is less understood. These knowledge gaps constrain our understanding of federal funding mechanisms and impact. They also constrain our capacity to identify effective intervention points or develop strategies to drive meaningful change.

Federal funding relationships and patterns are not static. They have evolved over time in response to shifting conditions. Periods of economic downturn, for example, have at times prompted increased government spending to support communities, but in other moments have resulted in funding cuts. These shifts underscore the importance of situating funding relationships within their broader historical and socio-economic context. The relationship

between the federal government and the nonprofit sector has always been contingent, adaptive, and shaped by changing priorities, constraints, and public sentiments.

Across the nonprofit sector, organizations of varying sizes, capacities, mission areas, and funding departments often report common challenges and experiences in their interactions with federal funders. At the same time, funding relationships are mediated by individuals operating within complex bureaucratic hierarchies. Program officers, managers, finance and accounting teams, and senior leadership each interpret policy through the lens of their own responsibilities and risk exposure. Decisions made at one level of the hierarchy may have unintended consequences at another. This raises critical questions about continuity, congruence, and divergence in funding practices: where experiences align despite variability, where they differ, and why. It also prompts closer examination of whether certain departmental practices are more collaborative, effective, or beneficial for the sector than others.

Nonprofits do not experience federal funding in isolation from broader sector dynamics. Long-standing issues such as chronic underfunding of core operations, workforce precarity, and rising demand for services intersect with federal funding practices in ways that compound stress and vulnerability. This project seeks to contribute to these conversations by systematically examining how federal funding relationships are structured, governed, and experienced.

The purpose of the study is to evaluate the impact of federal funding practices on (i) federally-funded nonprofits, (ii) the communities they serve, and (iii) the ability of the federal government to meet the objectives laid out in its funding programs. The research aims to identify the underlying explanatory mechanisms informing funding patterns and relationships. Given the existence of extensive literature on general funding challenges, this study aims to understand the underlying mechanisms and community impacts specific to federal funding.

Methodology

Study Scope and Contribution

While Canadian nonprofits have consistently voiced concerns over their ability to access sustainable financial resources, major knowledge gaps persist that compromise the development of effective public policy and advocacy interventions to address any issues with federal funding policies and/or practices.

To address this knowledge gap, this community-based participatory action research project evaluated the impact of federal funding practices on (i) funded nonprofits, (ii) the communities they serve, and (iii) the ability of the federal government to meet the objectives laid out in its funding programs.

In total, we interviewed representatives from sixteen nonprofits across Canada. Among them, eight organizations also completed a survey, and four convened interviews and focus groups with community members (see Table 2). We selected diverse organizations with varying geographic scopes, budgets, and staffing (see Table 3). Table 2 includes descriptive characteristics of the participating organizations. We also engaged three stakeholders with twenty to thirty years experience in the federal public service and the nonprofit sector.

Data collection and research activities were completed between March and December 2025. Given that the project is national in scope, research activities were conducted virtually, allowing for a wider reach, including organizations in more remote and isolated areas. Ethical approval for this study was obtained by the Research Ethics Board at St Paul University (1360.30/24).

Community-Based Participatory Action Research Approach

This study used a community-based participatory action research approach (CBPAR) which ensured that the project would have actionable results driven by community needs. The data and policy insights derived from this project will be widely shared with nonprofits in accessible outputs to assist in their advocacy and foster a better understanding of the policy landscape.

CBPAR is a strategic methodology that centres the community – in this case, nonprofits are at the heart of the research, ensuring that their realities and needs are incorporated throughout the research process (Brewer & Kliwer, 2023; Maiter et al., 2005; Montoya & Kent, 2011). As a community-driven approach to inquiry, this methodology challenges traditional research

approaches that reproduce hierarchies and power imbalances that “do research on” instead of doing “research with” (Maiter et al., 2005). As such, no one is the “object” of the research (Montoya & Kent, 2011). Instead, this framework recognizes and names power and places community knowledge at its centre. This methodology values reciprocity to uphold collaboration and equity throughout the research process (Maiter et al., 2005).

One key way we achieved this was through the Mitacs Accelerate structure, which allowed us to organize our research team to include a researcher from Imagine Canada. Imagine Canada developed the research project and then interviewed academics to find the right fit for a postdoctoral fellowship. They have been part of the entire research study from inception to analysis and knowledge dissemination. This partnership has been collaborative, reciprocal, and has facilitated new understanding and perspectives for everyone involved. This was intentionally built into the project through bi-weekly meetings of the research team, as well as other opportunities for the postdoctoral fellow to meet and learn from the Imagine Canada team and stakeholders. Imagine Canada’s wide network and policy connections provided essential opportunities for the research team to gather insider knowledge, see firsthand how policy is filtered down to the everyday realities of nonprofit operations and identify disconnects between funding mandates, service delivery, and community impact.

Mixed Methods

From the outset, our methodology recognized the strength of combining qualitative and quantitative methods. We set out to do a comparative analysis of fifteen to twenty nonprofits by conducting an interview, survey, and community focus group with each. However, due to time constraints and the capacity challenges for consistent data collection with partnering nonprofits, we were ultimately able to meet our target number for organizational interviews, but not for surveys or focus groups. Throughout the recruitment process, approximately a third of the nonprofits who were interested and willing ultimately could not participate due to staff turnover, funding changes, and reduced capacity. As a whole, the study used interviews, focus groups, document analysis, and surveys as data for the comparative analysis.

The comparative analysis focuses on five departments that were identified using a systematic ranking and selection process. We used publicly available funding data to examine which federal departments and associated funding programs provided the most significant funding to nonprofits based on the number and dollar value of grants. The Open Government Portal is a publicly available database for grants and contributions including information on recipients, amounts, funding departments and programs, and project descriptions. In November 2024, we used this database to compare funding patterns across federal departments and programs supporting nonprofits between 2012 and 2024, using all available data.

Based on Table 2, we can see that 24% of all grants and contributions went to nonprofits and charities, with a total value of \$69 billion.

TABLE 2
Grants and Contributions by Recipient Type 2012-2024

Recipient Type	Count (%)
Not-for-profit organization or charity	134,899 (24.0%)
Aboriginal recipient	112,580 (20.0%)
For-profit organization	81,509 (14.5%)
Government	16,753 (3%)
Academia	4,220 (0.8%)
Individual or sole proprietorship	316 (0.1%)
International (non-government)	63 (0.0%)
Other	42,542 (7.6%)
Recipient type unavailable	16,9767 (30.2%)

Note: The recipient type names used in this table reflect the government dataset. This report uses the term “Indigenous” rather than “Aboriginal” to refer to the First Peoples of Canada, in alignment with current widely-accepted terminology.

Table 3 shows a breakdown of the number and value of grants and contributions for charities and nonprofits. The data is incomplete; notably in 2012 and 2014, the early years of proactive disclosure, there is limited data and there is no data for 2013. The departments had not yet finished updating the data for 2024 and 2025.

Given our focus on equity, we wanted to capture the experiences of organizations serving women and immigrant, Indigenous, racialized, Francophone, disability, and 2SLGBTQIA+ communities. We used an equity-based matrix selection process to identify five federal departments and funding programs to focus on: the Women’s Program at Women and Gender Equality Canada (WAGE), the Settlement Program at Immigration, Refugees and Citizenship Canada (IRCC), the Social Development Program at Indigenous Services Canada (ISC), the Development of Official-Language Communities Program at Canadian Heritage (CH), and the Opportunities Fund for People with Disabilities at Employment and Social Development (ESDC).

TABLE 3
Federal Grants and Contributions to Nonprofits and Charities

Year	# of Grants and Contributions	\$ Value of Grants and Contributions
2012	3	\$5,448.00
2014	2	\$2,970,855.00
2015	58	\$266,999,492.75
2016	38	\$434,652,112.05
2017	1556	\$3,680,283,466.11
2018	825	\$3,871,525,761.46
2019	5796	\$15,689,423,697.44
2020	39758	\$29,628,181,715.93
2021	31808	\$5,621,012,799.88
2022	26000	\$5,850,677,028.33
2023	25384	\$2,729,861,984.47

Federal funding for the sector almost doubled between 2019 and 2020; there was a 93% increase in the dollar value of grants and contributions (see Table 3). By 2021, there was a significant decrease in the value of funding, while the number of grants and contributions remained similar. This pattern suggests organizations received nearly as many funding agreements with the values reduced by 87%. Between 2022 and 2023, there was a 60% decrease in grant values and only a 4% decrease in the number of grants and contributions.

TABLE 4
Selected Departments and Funding Programs

Department	Funding Program
Employment and Social Development Canada	Opportunities Fund for People with Disabilities
Immigration, Refugees and Citizenship Canada	Settlement Program
Indigenous Services Canada	Social Development Program
Women and Gender Equality	Women’s Program
Canadian Heritage	Development of Official-Language Communities Program

The process for selecting participating nonprofits was rigorous and took place over many meetings of the research team. All of the organizations in our study received funding from at least one of the selected federal departments (see Table 4). We used the following additional selection criteria to

choose participating nonprofits: geographical representation, language, rural and urban setting, organizational resources (based on operating budgets, years of operation, and staffing), and communities served (see Table 6). For each department, ten organizations were identified based on the grants and contributions database and Imagine Canada’s network and five were chosen to be contacted based on the representational criteria. We provided honorariums of \$700 for each participating organization and \$100 for each community member to thank them for their time and contributions to the research.

Given the use of mixed methods, the research team used weekly activity logs and field notes to track completed activities and details of interviews, fieldwork, and data analysis. Extensive notes were recorded at our bi-weekly meetings to track emergent themes and codes.

Interviews

Sixteen interviews were conducted with a total of twenty-six organizational leaders. The semi-structured interviews allowed for the creation of a common dataset and offered ample opportunities for participants to share insights and observations. As Rossman and Rallis note, interviews are an excellent method for gaining “rich, detailed data about how people view their worlds” (2012:179). The interviews lasted one to two hours. Prior to each interview, the participating organizations signed a consent form. Only one consent form was signed for each organization, even if two or three representatives participated in the interview. Interviews were conducted in the preferred official language of the participating

organization. The interviews were recorded, with the consent of participants, and transcripts were generated from those recordings. French interview transcripts were translated. All interview participants remain anonymous as indicated on the consent form. All interviews were transcribed and uploaded to NVivo for the initial coding.

TABLE 5
Participation across data collection methods

Data Collection Method	Completed
Organizational Interviews	16 (26 individual participants)
Organizational Surveys	8
Community Focus Groups and Interviews	4 (9 individual participants)
Subject Matter Expert Interviews	4 individual participants
Total for All Methods	39 individual participants

TABLE 6
Characteristics of participating organizations

Characteristics	Organizations
Region	
Atlantic	4
Quebec	2
Ontario	4
Western/Central	5
North	1
Scope	
National	2
Regional	4
Municipal/Provincial/Territorial	10
Language	
English	12
French	4
Communities Served (not mutually exclusive)	
Racialized	2
Immigrant	3
2SLGBTQIA+	2
Women	3
Disability	2
Indigenous	3
Language Minorities	5
Operating Budget	
Less than \$500,000	3
Up to \$1 million	5
\$1 - 5 million	3
Over \$5 million	5
Service Delivery Model	
Direct Services	9
Indirect Services	7

Community Focus Groups and Interviews

We engaged nine community members from four participating organizations through two focus groups with five total participants in addition to four individual interviews. These sessions each lasted approximately thirty to sixty minutes and were conducted in Ontario, Quebec, North, and Western regions. While initially we planned to engage all participating community members through focus groups, we pivoted to conduct some interviews due the scheduling challenges and limited participants. All focus groups and interviews were recorded with the consent, transcribed, and uploaded into NVivo for coding and analysis. The community members are individuals who engage with the participating nonprofits. They were asked about program responsiveness, the impact of federal funding, and their future outlook on community programming (see Appendix C for focus group guide).

Document Analysis

The policy landscape is a critical component of this research project. Interviews with three stakeholders (subject matter experts and retired public servants) helped us identify key policies, legislation, and regulations. Given our interest in uncovering the root causes of funding discrepancies and challenges, an analysis of power was important. We analyzed policy documents, legislation, and primary sources of information on federal funding programs, such as web pages and application documents. Using thematic content analysis we analyzed the themes, language, and rhetoric contained within them, and how they both shape and

are shaped by broader social structures and relations of power (Braun & Clark, 2012; Neuendorf, 2019). Policy documents outline the foundational power structures, processes and hierarchies that define federal funding models.

Surveys

Eight surveys (n=8) were completed by participating nonprofits. The survey included a combination of open and close-ended questions about the impacts of federal funding requirements. Given the low number of responses, we conducted some descriptive statistical analysis to generate insights into the financial and resource impacts. Open-ended questions were analyzed thematically and explored the daily operational and staffing impacts and the potential benefits of reducing funder requirements (see Appendix B).

Limitations

Our original methodology was ambitious. Nonprofits are stretched thinly and are being asked to do more with less. This creates challenges for research as these organizations must prioritize their missions and have fewer staff and resources. Even though it was difficult to get organizations to complete all three research components (survey, interview and focus groups), and many were unable to due to capacity issues, staff turnover, and changing priorities, organizations were very supportive of this study. The low numbers are not reflective of disinterest, but rather of competing priorities, scheduling challenges, and capacity constraints. This is a good reminder that community-based research, with the best of intentions, may not be able to



fulfill the participatory aspects of the project if the partnering organizations are facing other pressing needs. We learned to meet nonprofits where they were at and built valuable new relationships.

Even though we did not reach the participation numbers we had originally hoped for, we were left with rich, interesting, and insightful data that tells an important story in the pages that follow. The data we collected provides a critical foundation for follow-up studies and longitudinal data collection on nonprofits and funding in Canada.

Summary

The data we collected is incredibly rich and speaks to the power of qualitative methods to provide deep insight into complex social issues. The interviews and focus groups created space for participants to freely share what they felt were the most promising and challenging aspects of federal funding models. The relationships we built with them over months also created new opportunities and insights that reach far beyond this report. Additionally, the policy document analysis and surveys provided another layer of analysis that uncovered some of the root causes and consequences of current funding models. Together, the qualitative and quantitative methods provide crucial insights into the realities that nonprofits and service users are facing when navigating and experiencing current federal funding models.

Results

The results section synthesizes key findings from the policy review, examining the federal policy and decision-making landscape and its impact on funding practices. It integrates insights from sixteen interviews with nonprofits and a short survey of eight of those organizations, reflecting diverse organizational contexts, resources, and capacities. The interviews explore the nuanced dimensions of the relationship between federal funders and the sector. The survey provides detailed data on the impacts of federal funding requirements. The section concludes with reflections from focus groups and interviews with community members connected to four participating organizations.

The Public Policy and Decision-Making Landscape

The federal funding policy and decision-making landscape is complex. Numerous policies, decision-making mechanisms and pieces of legislation dictate how federal funds are distributed. These policies and laws inform the design, approval, implementation, and audit of funding programs, as well as day-to-day funding practices.

To better understand how these elements influence funding relationships with nonprofit organizations, we conducted a policy mapping

exercise to identify the legislation and policies underpinning current practices and highlight where they are firmly rooted in policy and where flexibility or ambiguity exists. This analysis also examines the language used to describe the role of nonprofits, recognizing how linguistic framing can shape and legitimize particular approaches. By disentangling these mechanisms, the policy mapping provides insight into the structural drivers of long-standing practices and identifies potential points of intervention for change.

Variations in Departmental Size, Capacity, and Mandate

Grants and contributions are payments given to individuals, communities, or organizations based on established eligibility criteria. The main difference between grants and contributions is that grant recipients are generally not expected to be accountable for the funds or complete audits. Recipients of contributions, on the other hand, are expected to account for all of the funds, complete audits, and provide financial information to the funder at any point throughout the funding period.

Departments have their own processes, practices, and policies related to grants and contributions. There are both similarities and differences across departments depending on their mandate, size, and scope. In departments

that provide direct services to Canadians, such as Employment and Social Development Canada and Immigration, Refugees and Citizenship Canada, the proportion of expenditures dedicated to grants and contributions is limited. For example, ESDC only spends 5% of their budget on grants and contributions.

Each department has internal services which carry out administrative and operational functions similar to the core functions required by all nonprofits. On average, about 16.7% of departmental employees and 17.1% of departmental expenditures are dedicated to internal services.

This study focused on five departments that are responsible for the majority of federal funding for the nonprofit sector: Employment and Social Development Canada (ESDC); Immigration, Refugees and Citizenship Canada (IRCC); Canadian Heritage (CH); Women and Gender Equality (WAGE); and Indigenous Services Canada (ISC). These departments all use transfer payments to individuals, organizations, and communities to advance their mandates and core responsibilities. However, as Table 7 shows, these federal departments vary widely in their size, number of staff, budgets, resourcing of internal services, and the number of grants and contributions they administer. These structural differences shape how funding relationships with nonprofits are managed.

Table 7 shows that ESDC, a large department, only dedicates 0.03% of its transfer payment spending to contribution agreements, representing a small part of the department's overall activities. While grants make up a significant portion of ESDC's expenditures, many of these are grants to individuals, such as the Canada Child Benefit and Old Age Pension, rather than grants to organizations. As such, funding relationships with the nonprofit sector may receive less strategic focus compared to other departmental priorities. However, ESDC is the largest federal funder of the sector. It spent over \$3 billion through contributions in 2024, although not entirely for the sector. Nonprofit organizations represent on average about 24% of recipients of grants and contributions. When such a small portion of a department's budget is being spent on funding for nonprofits, this can create challenges for improving funder



TABLE 7**Comparison of Key Characteristics Among Five Federal Departments (2024)**

Department Characteristics	ESDC	ISC	IRCC	CH	WAGE
Departmental Expenditures	\$98.9 B	\$26.5 B	\$6.5 B	\$2.1 B	\$0.4 B
Departmental Expenditures as a Percentage of Federal Budget	20.0%	5.6%	1.4%	0.4%	0.1%
Departmental Transfer Payments as a Percentage of all Federal Transfer Payments	33.4%	7.7%	1.2%	0.6%	0.1%
Percentage of Departmental Transfer Payments Disbursed as Grants	\$85.1 B (88.5%)	\$2.4 B (0.1%)	\$2.1 B (59.0%)	\$0.3 B (15.0%)	\$0.7 B (2.0%)
Percentage of Department Transfer Payments Disbursed as Contributions	\$3.2 B (0.03%)	\$20.5 B (89.5%)	\$1.5 B (41.0%)	\$1.6 B (82.0%)	\$0.3 B (96.0%)
Full-time Staff	38,219	8,619	12,763	1,964	418
Programs	64	28	22	23	3

relationships and practices. The internal capacity, expertise, and systems dedicated to managing nonprofit funding may be limited relative to the size and complexity of the department.

By contrast, in departments where 80% to 90% of spending on transfer payments is delivered through contribution agreements, relationships with nonprofits may be more central to departmental priorities. These departments may have more specialized processes, dedicated staffing, and institutional knowledge related to funding. As a result, there may be more opportunities for departments to refine funding practices and maintain ongoing engagement with funded organizations.

Departmental context is an important consideration when examining federal funding practices; variations in funding allocations, program priorities, and administrative capacity can shape how effectively departments manage their relationships with funded organizations. Nonprofits may experience very different processes, expectations, and levels of engagement across departments. Understanding these structural dynamics helps nuance our understanding of the federal funding landscape.



Legislative and Policy Framework for the Management of Grants and Contributions

Federal funding to the nonprofit sector is delivered through grants and contributions, governed by Treasury Board of Canada Secretariat (TBS) policies. In 2024, the federal government had the authority to spend \$297.1 billion on payments to individuals, communities, and organizations. TBS is

responsible for ensuring that the government has a timely and effective regulatory framework that protects and advances the public interest. Twelve policy, legislative, directive, and guidance documents were included in this review. Seven are directly relevant to grants and contributions while five are government-wide laws and policies that have implications for how grants and contributions are allocated, administered, managed, and audited. Table 8 outlines and describes these laws and policies.

TABLE 8**Federal Laws and Policies Relevant to Funding Practices**

Federal Laws and Policies Relevant to Funding Practices	
Government-wide Financial Management Laws and Policies	
Financial Administration Act (Department of Justice)	Provides the cornerstone of the legal framework for financial management within the Government of Canada.
Foundation Framework for Treasury Board Policies (Treasury Board of Secretariat)	Explains the structure of TBS policy instruments and outlines general requirements common to all TBS policy instruments.
Guide on Financial Arrangements and Funding Options (Treasury Board Secretariat)	Assists program managers, financial officers and other interested parties in selecting the appropriate financial arrangements and funding options in support of program delivery.
Framework for the Management of Risk (Treasury Board Secretariat)	Guides deputy heads on how to implement effective risk management practices at all levels of their organization.
Policy on Results (Treasury Board Secretariat)	Outlines fundamental requirements for departmental accountability for performance information and evaluation. It also highlights the importance of results and public reporting in management and expenditure decision making.
Treasury Board Secretariat – Policies Specific to Transfer Payments	
Policy on Transfer Payments	Explains roles, responsibilities and accountabilities for the management of transfer payment programs.
Directive on Transfer Payments	Provides departmental managers with operational requirements for the design and delivery of transfer payment programs.
Guideline on the Directive on Transfer Payments	Supports departmental managers in their understanding and implementation of the Directive on Transfer Payment by providing context and explanation of key requirements.
Guideline on Performance Measurement Strategy under the Policy on Transfer Payments	Assists deputy heads and departmental managers in meeting their responsibilities under the Policy on Transfer Payments and the Directive on Transfer Payments as they relate to performance measurement strategies.
Guideline on Recipient Audits Under the Policy on Transfer Payments and the Directive on Transfer Payments	A non-mandatory tool to assist departmental managers in meeting their responsibilities under the Policy on Transfer Payments and the Directive on Transfer Payments related to the recipient audit process.
Guidelines on the Reporting of Grants and Contributions Awards	Outlines requirements for the proactive disclosure of grants and contributions.
Guide to Departmental Collaboration with Recipients of Grants and Contributions	Outlines situations where collaboration between federal department(s) and grant and contribution recipients may be acceptable based on the Policy on Transfer Payments.

Note: Titles and descriptions of these policies, directives, standards and guidelines were retrieved from the Treasury Board Secretariat website: <https://www.tbs-sct.canada.ca/pol/index-eng.aspx>

Government-wide Financial Management Laws and Policies

The foundational legal document guiding financial management across the government is the *Financial Administration Act*. This legislation makes TBS responsible for the effective management of federal public resources, including the design and implementation of financial and management policies, allocation of resources, and oversight of departmental performance. There are four government-wide financial and management policies developed by TBS that have implications for the management of transfer payments.

The *Financial Administration Act* also requires departments to conduct a thorough review of the relevance and effectiveness of grant and contribution programs every five years. There are additional policies on evaluation to guide these five-year reviews.

The *Guide on Financial Arrangements and Funding Options* is a crucial document which provides insight into the foundational federal funding structures and into how the government understands funding for nonprofits.

The *Guide* distinguishes between operating expenditures to obtain goods and services for the government (i.e. procurement) and transfer payments. The guide states, “Government transfers to recipients are seen as contributions to a public good thus furthering government objectives.” It continues to state that “for operating and capital expenditures the government must pay 100 per cent, fair

market value, to obtain goods and services. With transfer payments, the government normally provides less than 100 per cent financial assistance to recipients”. The language used to describe contribution agreements with nonprofits is “financial assistance.” The guide also makes it explicit that nonprofit recipients of transfer payments will typically not receive adequate funding to cover the full cost of service delivery, meaning that they must supplement federal funding with other resources.

Although government policies draw a clear line between procurement and grants and contributions, the reality is more blurry and subjective. Take, for example, the Community Volunteer Income Tax Grant. Through this program, community organizations rely on volunteers to help individuals with modest incomes and simple tax situations file their annual returns and gain access to crucial benefits. If nonprofits were not providing this service on behalf of the government, then the individuals served by this program would instead need to contact Canada Revenue Agency client support for assistance with their tax questions. The government has decided to pay for this service through a grant, which allows them to not pay the full cost of service delivery or fair market rates. However, this could also be seen as the government outsourcing the work of public servants through procurement.

While a full comparison of the management of transfer payments and procurement is beyond the scope of this project, the language in this document suggests there is a need for deeper comparison.

The *Guide* states, “Funding to a recipient is generally structured to promote some degree of self-reliance.” In reality, federal funders are underfunding services delivered through nonprofits and therefore requiring the sector to subsidize these services. This approach appears to undermine the goal of financial self-reliance for recipient organizations. Meaningful promotion of self-reliance in the sector would require the government to invest in alternative and sustainable funding pathways, including investing in fundraising, social enterprise, and financial management capacity.

Departments and agencies are given significant responsibilities by the *Guide* to ensure compliance with financial management practices and standards. These expectations are further outlined in TBS’s *Policy on Financial Management*.

The *Guide* specifies that transfer payment arrangements must meet specific conditions. There are three conditions that are most relevant for the nonprofit sector:

- “The government determines that it would benefit the public in general and government objectives would be furthered by providing financial assistance. Normally the government provides less than 100 per cent to support the activities or projects which benefit third parties;”
- “The government decides that an outside party (i.e. recipients of financial assistance - nonprofit, volunteer or non-governmental organization) is better equipped than the government to assist in the delivery of a specific service or to handle a particular task;”

- “Reasonable assurance can be given that the proposed transfer would not result in duplicate financing or ‘stacking’ (i.e. financing of similar activities by more than one federal government department, other level of government sources, or other sources external to the government).”

The concept of “stacking” appears to penalize recipients for having other funding sources, despite the *Guide* confirming that the government will not fund 100% of the project costs. It is unclear what is considered “duplicate financing”, when the full program cost will not be covered. Additionally, the broad reference to not fully funding “activities which benefit third parties” is unclear, given that all government activities, whether delivered directly by the government or indirectly through procurement or transfer payments, are intended to benefit a specific set of third parties: Canadians.



The *Guide* lists different types of financial agreements, including:

- Other Transfer Payments (e.g. those based on legislation and transfers to other levels of government)
- Grants
- Alternative Funding Arrangements (AFAs)
- Flexible Transfer Payments (FTPs)
- Contributions
- Repayable Contributions

These arrangements are organized across a continuum based on the level of flexibility (see Figure 1). Those near the top are flexible arrangements that require little monitoring, have minimal conditions and few administrative expectations. The arrangements on the bottom are less flexible with detailed terms and conditions and extensive financial monitoring requirements. The nonprofit sector mainly receives contributions.

Finally, the *Guide* reminds departments that whichever financial arrangement they select must “withstand the test of public scrutiny and achieve the best value for the dollars spent.” Accountability and risk management are essential to the government’s management approach, aligning with new public management practices. In this context, the departments are accountable not only to funded organizations, but also to Parliament, central agencies, the Auditor General, and the public. Funding decisions and outcomes must therefore be justified in settings disconnected from service delivery or community impact. This creates a strong incentive for departmental

FIGURE 1

Types of financial agreements included in the *Guide on Financial Arrangements and Funding Options*

High flexibility



Low flexibility

staff to prioritize documentation and procedural compliance when engaging with the nonprofit sector. Reporting frequency, for example, is often calibrated to reflect perceived financial and reputational risk for the federal government with little to no consideration for organizational capacity, community needs, and impact.

Policies Governing Transfer Payments

In addition to the government-wide policies explored in the previous section, there are six financial and management policies, directives, and guides specific to transfer payments. The two primary documents are: the *Policy on Transfer Payments* and the *Directive on Transfer Payments*.

The *Policy* establishes the “what” and “why” by outlining goals, values, and broad expectations for managing transfer payment programs with integrity, transparency, and accountability, while prioritizing recipients and collaboration. Although this policy guides funder practices, it less directly informs what requirements are placed on organizations.

The *Directive* defines the “how”—providing specific operational requirements that departmental managers must follow to design, deliver, monitor, audit, and report on transfer payments.

The *Policy* requires that reporting, monitoring, and auditing requirements imposed on funded organizations be proportionate to risk. Risk is assessed based on three key factors:

- The transfer payment program itself – the nature, complexity, and specific risks associated with the program.
- The value of funding relative to administrative costs – ensuring that reporting requirements are reasonable compared to the size of the funding and do not create excessive administrative burden.
- The risk profile of applicants and recipients – considering the organization’s capacity, past performance, financial management practices, and overall risk level.

Overall, the *Policy* aims to balance administrative and reporting requirements. However, many federally-funded organizations report that this balance is not consistently achieved in practice.

Although formal reporting requirements are outlined in funding agreements, organizations often face additional informal or ad hoc requests and compliance-related demands from program officers. These requests add to the cumulative administrative burden and are often not clearly tied to agreed-upon risk factors. As a result, nonprofits may experience compliance obligations that feel disproportionate to the level of funding received or their established risk profile, undermining the policy’s intent to ensure balanced and risk-based oversight.

Each department is required to have an efficient performance measurement and reporting system in place for transfer payment programs. The compliance requirements for funded organizations are intended to provide necessary evaluation and impact data. The *Guideline on Performance Measurement Strategy* provides deputy heads with guidelines on performance measurement, data collection, and evaluation.

These policies outline the government’s expectations for engaging with the nonprofit sector and managing expenditures. They clarify key decision making roles, guide departmental actions, and frame language used by public servants when discussing funding decisions. Although implementation varies across departments, these documents provide a consistent framework for understanding how the government conceptualizes the nonprofit sector, its relationship with federal agencies, and its broader role in society.

The laws and policies we examined conceptualize nonprofits primarily through a lens of financial assistance, need, and self-reliance—language that differs markedly from



how procurement policy is framed through a lens of economic growth and market value. This distinction reflects a broader neoliberal orientation that positions flexibility and collaboration with nonprofits as potential risks rather than strategic opportunities.

These policy frameworks establish an overarching tone that shapes federal funding practices and is codified in restrictive directives, guidelines, and accountability mechanisms. In doing so, they embed constraints that can limit the sector's capacity to address complex social issues. The review highlights policy language and administrative design that contribute to strained funding relationships and reduced organizational autonomy. Ultimately, this can hinder the federal government's ability to advance its own policy objectives.

Federal Reporting Requirements for Spending and Operations

The federal government mandates quarterly and annual reporting for all of its departments, agencies, and Crown corporations to support internal decision making and increase transparency, accountability, and oversight of public funds. The *Financial Administration Act*, the *Policy on Results*, and other policies outline and mandate reporting requirements.

Reporting is submitted to Parliament and published within 60 days of the end of the reporting period. This provides a comprehensive picture of the financial performance of the government and provides central oversight bodies with timely data, allowing issues to be identified and adjustments to be made throughout the year.

While this cadence supports accountability and monitoring, departments are required to provide extensive detail and documentation. This can be burdensome for departments given the size, scope, and complexity of their programs and operations.

Quarterly reporting was introduced in 2009. By 2015, the Office of the Auditor General (OAG) recognized in a report that extensive recurring reporting requirements “place a significant burden on federal organizations” (OAG, 2015, 2). For example, a small federal commission with eleven staff was required to complete twenty-five annual or quarterly reports (OAG, 2015, 9). The OAG report also found that guidance on how to meet reporting requirements was “not sufficiently clear or consistent” (OAG, 2015,11). Despite this report, the requirements remain unchanged.

These reporting policies have several implications for the nonprofit sector. In many ways, the compliance requirements imposed on federally-funded nonprofits mirror the reporting expectations placed on federal departments. These requirements can be problematic when applied to nonprofits whose size, administrative capacity, and operational mandates differ significantly from those of government institutions. Nonprofits typically operate with smaller budgets, fewer staff, and limited administrative infrastructure. As a result, extensive reporting requirements can divert scarce resources away from service delivery and community engagement.

There are several additional reasons why replicating departmental reporting requirements in nonprofit funding agreements can create challenges. First, nonprofits are service delivery partners, meaning their primary role is to respond to community needs rather than manage large-scale administrative systems. Second, detailed compliance requirements often require organizations to allocate staff time to documentation, data collection, and reporting processes that may exceed the scale of the funding received. This can create a disproportionate administrative burden, particularly for smaller organizations that lack dedicated compliance staff. Third, government reporting frameworks prioritize standardized metrics that do not fully capture the complex, relational, and long-term outcomes of community-based work.

These challenges are compounded by structural differences between government departments and nonprofits. Federal departments are funded through large appropriations and typically have internal administrative infrastructure and dedicated reporting units to manage compliance requirements. They also have access to multiple mechanisms for securing additional spending authority throughout the fiscal year. By contrast, nonprofits often operate within strict contribution agreements which do not cover the full cost of program delivery. This creates a situation where nonprofits are expected to meet extensive accountability requirements without the corresponding resources to support the administrative work required.

The implications of this imbalance can be significant. High administrative demands can contribute to staff burnout, high turnover, and reduced organizational capacity, particularly when organizations are already managing increased community needs and unstable funding cycles. In some cases, organizations may also limit their participation in federal funding programs because the compliance requirements outweigh the benefits of the funding. Ultimately, this dynamic can weaken the overall effectiveness of federal investments by reducing nonprofit partners' capacity to effectively deliver services, innovate and respond to community needs. Balancing accountability requirements with the operational realities of nonprofits is therefore essential to ensure that reporting practices support, rather than hinder, the effective delivery of community services.

Building on this policy review, we will examine the experiences of nonprofits to see how these policies manifest in their daily operations. The next section will highlight how funding requirements and government expectations shape organizational practices, while also identifying the factors that enable or hinder the development of positive, effective funding relationships between nonprofits and federal agencies.

Organizational Interviews: Nonprofit Perspectives on Federal Funding

This section captures insights from sixteen interviews with nonprofits, covering several broad themes: federal funding relationship dynamics, funder practices that help and hinder community impact, and the future outlook of nonprofits.

Analysis of Federal-Nonprofit Funding Relationships

During the interviews, nonprofits described the quality and dynamics of their relationships with federal funders. These relationships are complex, variable, and frequently changing. Nonprofits elucidated a range of individual, organization and systemic level factors that shape them over time.

Relationship Quality

The majority of the nonprofits we interviewed (75%) reported that their relationship with their federal funder was generally positive. However, these organizations also spoke about the ongoing effort and labour required to maintain these positive relationships. Four organizations (25%) described the relationship as negative, tenuous, or non-existent.

3 out of 4 nonprofits describe their funder relationship as **generally positive** – characterized by available and responsive program officers.

Describing their longstanding funder relationship, a nonprofit in Western Canada said “They have been very positive to work with... they actually came out to meet with us, which was really great.”

“Hopefully, it’s not naive, but we’ve generally [had] really good experiences”

–Nonprofit in Atlantic Canada

In some cases, federal funders play a unique role by funding projects that are national in scope or Indigenous-focused, where other funding channels might be limited. One nonprofit in Quebec reported, “We’re quite grateful to the federal government, who has really given the majority of the funding for this project.”

An organization in Atlantic Canada spoke at length about the level of responsiveness they experience with their program officer, adding:

We’re among those fortunate enough to have had funding for programming for a very long time... I find the relationships to be very good, even excellent. It’s easy to access an agent because we have an agent assigned to us who manages both core funding and project funding.

Nonprofits recognize and are grateful when they experience positive, responsive funder relationships.

Findings across organizations and departments reveal that funder relationship quality is neither static nor uniform – it shifts over time and varies significantly by context, departmental staff, and organizational investment.

Although the majority of nonprofits interviewed described positive relationships, some organizations mentioned challenging funder relationship dynamics.

1 out of 4 nonprofits describe their funder relationship as **negative or tenuous** – marked by limited responsiveness and unclear expectations.

These organizations reported funders who were unresponsive and program officers who were poorly prepared for meetings. When asked about their funder relationships, a nonprofit in Central Canada said, “Our relationship with funders is tenuous at best.” Similarly, an organization in Ontario noted, “[Our] staff’s relationship with our officer is not good...it’s not that it’s tense, or negative per se. There is very little guidance. They’re very unresponsive, almost non-existent, to be honest.”

A nonprofit in Ontario spoke about the destabilizing impact of challenging interactions with program officers. They noted that, “In general, the relationship has gotten harder [since COVID]...When [a negative experience]

happens at the project officer level, it's destabilizing for us, because we know that our project officers [are] our primary representative within IRCC."

Some organizations reported being previously able to mitigate negative interactions with program officers through responsive relationships with managers and directors. However, more recently there had been significant turnover in the department. New senior leaders lack sufficient contextual information and are hesitant to intervene in decisions taken by program officers.

Relationships between the nonprofit sector and federal funders vary significantly. Many nonprofits experience federal funders who are responsive, approachable, and willing to engage in dialogue. However, others faced limited responsiveness and insufficient support.

The next section explores the factors influencing the nature of these relationships.

Individual and Organizational Factors Shaping Funding Relationships

The relationship between nonprofits and federal funders can be best described as dynamic and evolving rather than static or uniformly positive or negative. Although organizations often characterized their funding relationships in broad terms, these generalizations mask considerable fluctuation over time and across funders. These relationships shift in response to multiple individual, organizational, and systemic factors, underscoring their complexity and interdependence (see Figure 2).

FIGURE 2

Summary of Key Individual and Organizational Factors Shaping Federal Funding Relationships

Federal Program Officers

Staff turnover and continuity, depth of knowledge, responsiveness, and the degree to which officers micromanage nonprofits all directly affect relationship quality.

Organizational Investment from the Nonprofit

Sustained effort from funded organizations — including proactive tension mitigation and intentional education of departmental staff — plays a critical role in maintaining positive relationships.

Social Capital and Capacity of the Nonprofit

Social capital — including whether nonprofit leaders have prior federal experience and sufficient resources — shapes access, trust, and the ability to navigate both program officer relationships and department leadership dynamics.

Volume of Funding Agreements Managed by the Nonprofit

The number of active funding agreements managed by the funded organization adds complexity and can strain coordination capacity and relational bandwidth.

Relationships with funders have various components including interactions with program officers, relationships with departments, and the impacts of changing federal funding priorities. These nuances suggest a good funder relationship can be described as responsive and available, however, “good” is not equated to a supportive, mutual, and respectful dynamic between the federal government and the sector.

This nuance is illustrated by an organization in Ontario, who, when describing their relationship with IRCC, said,

[It] has been very good for quite a long time. However, this does not mean that we have a beautiful, very respectful relationship [and] that we are not affected by the cuts, [which] have nothing to do with the agents who manage our agreements. The two relationships are not the same.

This experience highlights a disconnect between supportive working relationships and broader government decisions. Interactions with frontline program officers may be positive, but decisions made at the departmental level, such as funding cuts, can create challenges.

Positive relationships were typically described in terms of interpersonal working relationships, often reflecting customer-service elements in how responsibilities and communications were managed. The quality of these relationships is shaped by organizational practices and the individuals involved.

Federal Program Officers

Program officers play a central role in shaping the quality of funding relationships for many nonprofits. As the primary point of contact within a department, they represent both the funder to the organization and the organization’s work and needs within the department. When program officers are knowledgeable, consistent, and supportive, they can strengthen collaboration and trust. However, limited understanding of the nonprofit sector, high staff turnover, and excessive micromanagement can undermine these relationships and negatively affect the overall funding experience.

Organizations described substantial variability in program officers’ knowledge, confidence, and approach to their roles, which had significant ramifications for their experiences with federal funding. Some program officers were knowledgeable, supportive, and collaborative, helping nonprofits navigate requirements and maintaining productive working relationships. Others appeared less familiar with the funding program or the funded projects, creating uncertainty and requiring organizations to spend additional time and labour clarifying expectations and explaining their activities. This variability meant that the quality of support organizations received often depended heavily on the individual officer assigned to them.

Organizations observed that when program officers seemed less confident or less familiar with the funded projects, their interactions with nonprofits were often shaped more heavily by departmental finance, accounting,

and policy teams. One organization in Ontario noted that they get questions from their project officer about accounting practices that use very specific and unfamiliar terminology. They continued, “We write back to the officer and [ask], ‘Can you explain what you mean?’ And the project officer would say, ‘I don’t understand either, it’s coming from finance.’ It feels like, increasingly, accounting and finance [are] driving the decision-making.” As a result, organizations perceived that program officers were sometimes acting primarily as intermediaries for internal departmental requirements rather than as informed partners supporting program delivery.

While micromanagement and urgent requests may sometimes stem from broader government requirements, organizations also report instances of hostile behaviour, criticism, or

dismissiveness from program officers. Because program officers hold significant authority, this power imbalance can create an asymmetry in which organizations feel at the whim of individuals who may not fully understand their sector or their work. Such dynamics can lead to inconsistency, frustration, strain, and challenges in maintaining a constructive working relationship. One organization in Ontario, speaking broadly for the settlement sector, said:

People [feel] like they’re being humiliated in the interactions. [Officers] will write after three weeks of no contact and say, ‘I want this by the end of the day today.’ To me, it feels like [they’re] scared of [something,] there’s an internal deadline [they have] to meet.

Nonprofits also noted variations in how program officers mediated access to leadership and decision making processes. In some cases, officers acted as collaborative partners who facilitated communication with senior department staff and helped escalate issues as needed. In other cases, officers were perceived as gatekeepers who limited access to departmental leadership or broader program guidance.

High turnover among program officers can produce both positive and negative effects for funded organizations, depending on department and organizational context. One recipient of CH funding who had four program officers in five years described this high turnover rate as their natural network growing over time. When officers are promoted in the same department, relationships and



institutional knowledge aren't necessarily lost. Others, however, experienced frequent turnover—such as having five different program officers within a two-year funding agreement, which required repeatedly onboarding and educating new officers—as a negative. In these cases, organizations described significant frustration when officers attended meetings without reviewing proposals, reports, or prior discussions, often asking basic questions about the work. For smaller organizations in particular, the time, labour, and resources required to continually brief new officers was excessive. These experiences suggest that frequent turnover, especially when combined with limited preparation by incoming officers, can shift administrative burdens onto funded organizations and disrupt continuity in program oversight and collaboration.

Nonprofits report that they spend time and resources teaching new program officers. One nonprofit from Ontario described how their interactions with officers have changed over time, saying:

Before, officers were quite engaged, and had that balance of giving us flexibility and enough freedom to decide what we want [and] not preventing us from doing things. They didn't nitpick and we didn't have to teach them. [Now] there are officers that you have to teach because they come completely unprepared.

The time and effort required to bring officers up to speed on nonprofit operations, organizational history, community needs, and

more goes beyond normal collaboration and can become a significant drain on nonprofit resources. The impact of this dynamic is uneven: organizations with greater resources, stronger social capital, or more experience working with federal funders may be better able to absorb this additional labour, while smaller nonprofits may face greater strain.

Throughout the interviews, luck and gratitude emerged as key explanatory mechanisms through which organizations interpret their relationships with program officers. There is often little transparency or predictability regarding a program officer's expertise, responsiveness, or familiarity with the funding program. When program officers are knowledgeable and helpful, organizations tend to describe themselves as "lucky", express gratitude for the relationship, and recognize it is not common. Conversely, when program officers appear less informed, unresponsive, or difficult to work with, organizations frame the situation as being "unlucky."

Nonprofit Organizational Capacity

At an organizational level, variability in funding relationships is shaped by a nonprofit's capacity to dedicate the effort and resources required to maintain strong, ongoing connections with funders. These investments are required even when funder relationships are helpful and responsive. Organizations actively work to reduce tension, make compromises when necessary, and carefully consider the best ways to engage to ensure a constructive and positive relationship. As a nonprofit in Ontario explained:

We try to build relationships with [the funder] because it's in our best interest and in the interest of our clients to build those relationships [so] we can mitigate sharp corners, and see [what] we can compromise on. But [if] we really feel strongly about [something], and we are ready to push back.

Maintaining constructive relationships and navigating federal processes effectively often requires specialized knowledge or government relations expertise. This adds another layer of uncompensated labour for nonprofits—the time and energy spent cultivating and sustaining relationships.

Nonprofits also highlighted that personal networks, such as the connections of organizational leaders and the presence of multi-sectoral collaborations, support relationships with federal funders. Many noted that nonprofit experiences with funders are influenced by who they know, with strong networks helping to facilitate communication, trust, and more effective engagement. One Ontario nonprofit shared a clear example of the impact of having strong social capital, stating:

My [funder] relationship is great because they know who I am. I'm a former political staffer [and] have a lot of friends on the inside. So if I send an email, [it] is immediately responded to. I can go to the Deputy Minister directly [who] can go to the Minister's office.

Organizations reported that a nonprofit's resources and the degree to which it is reliant on federal funding also shapes its funder relationships. An Ontario-based nonprofit noted that:

It comes down to personal relationships and the organization. The fact that we're a [multi-million] a year organization means we have more weight. When only 7% of our total budget is [federally funded], it's not the same level of fear as an organization where they're 100% or 90% [federally funded].

Access to social capital and financial resources are uneven across the sector, resulting in inequities in relationships with federal funders. Applying an equity lens is critical given that, historically, the public sector has not been fully representative or inclusive, creating disparities in who has access to influential relationships and who does not. These systemic inequities mean that some organizations are better positioned to cultivate positive funder relationships, while others face structural barriers that limit their opportunities for engagement and influence. This creates a lack of transparency and a potential for favoritism which reinforces inequities.

Nonprofits noted that the complexity and density of their funding relationships—such as the number of agreements, involvement of multiple program officers, and coordination across different departments and programs—can create operational stress, strain resources and affect their capacity to maintain positive funding dynamics.

FIGURE 3

Summary of Key Systemic Factors Shaping Federal Funding Relationships

Departmental Leadership

The engagement level, accessibility, and sense of accountability from department leaders sets the tone for how funder relationships are experienced

Changes in Federal Workforce

Staff transitions at the funder level — including turnover and restructuring — introduce instability and institutional knowledge gaps that organizations must continuously navigate.

Government Reactions to Changing Public Sentiment

Broader societal narratives can influence funder priorities, risk tolerance, and the overall tenor of the funding relationship.

Organizations that manage many funding agreements must manage differing reporting demands, funder requirements and timelines. An organization in Central Canada outlined the intricacies of their various funding envelopes, stating, “We have a couple [federal funding agreements] and within each [there are] different funding brackets from different departments, a different program officer, and different funding requirements.”

Systemic Factors Shaping Funding Relationships

Several systemic factors influence funding relationships between nonprofits and government departments. Changes in departmental leadership and staff turnover can disrupt continuity and trust. Additionally, broader political and social dynamics—such as heightened public scrutiny of government spending or anti-immigration sentiment—may increase caution and hesitation among government staff (see Figure 3).

Organizations described departmental leadership as an important factor in shaping positive funding relationships. When senior federal leaders are supportive and aligned, they create meaningful channels for communication and feedback, particularly around systemic issues, and nonprofits report more productive and responsive partnerships. However, when these communication channels do not exist, high-level decision making can become disconnected from the realities, challenges, and community knowledge of the sector.

Nonprofits identified that workforce changes within the federal public service have a significant impact on funding relationships. A wave of retirements and a resulting influx of new staff at the manager, director, and senior leadership levels can lead to a loss of institutional memory and long-standing relationships built on trust. One Ontario nonprofit described how this dynamic had played out within IRCC, saying:

A lot of the folks we're dealing with now at higher levels are new, and they bring different ideas, but they're also uncertain of what they should be doing. And there isn't that trust with the sector now...to know that they can trust us when we ask them for things, or when we try to provide guidance on issues.

Nonprofits pointed to shifting public sentiment and heightened scrutiny—particularly following government scandals—as systemic pressures that filter down into their day-to-day funding relationships. These shifts often result in funding cuts, tighter compliance requirements, stricter rules around allowable expenses, and increased oversight. One Ontario nonprofit noted, “The mood around immigration has shifted... so they're very concerned about being perceived as too lenient or too wasteful in general in government.”

In conclusion, although the majority of the nonprofits we spoke to reported that their relationships with federal funders were positive, a deeper dive uncovers the complexities and nuances of those relationships. Organizations recognized that their relationship with the “funder” was actually multi-layered, including their interactions with program officers and senior management. Nonprofits actively work to maintain positive relationships in the face of high turnover among program officers, changing public sentiment, and capacity constraints. In many cases, having a positive funder relationship is the result of a combination of luck, capacity, social capital, and investment of time and labour.

Analysis of Federal Funding Practices

We now shift from an analysis of federal government-nonprofit funding relationships to an analysis of funder practices and how they enable or create barriers to impact. Funder practices can play a critical role in shaping whether nonprofits and the communities they serve experience meaningful, sustained positive outcomes.

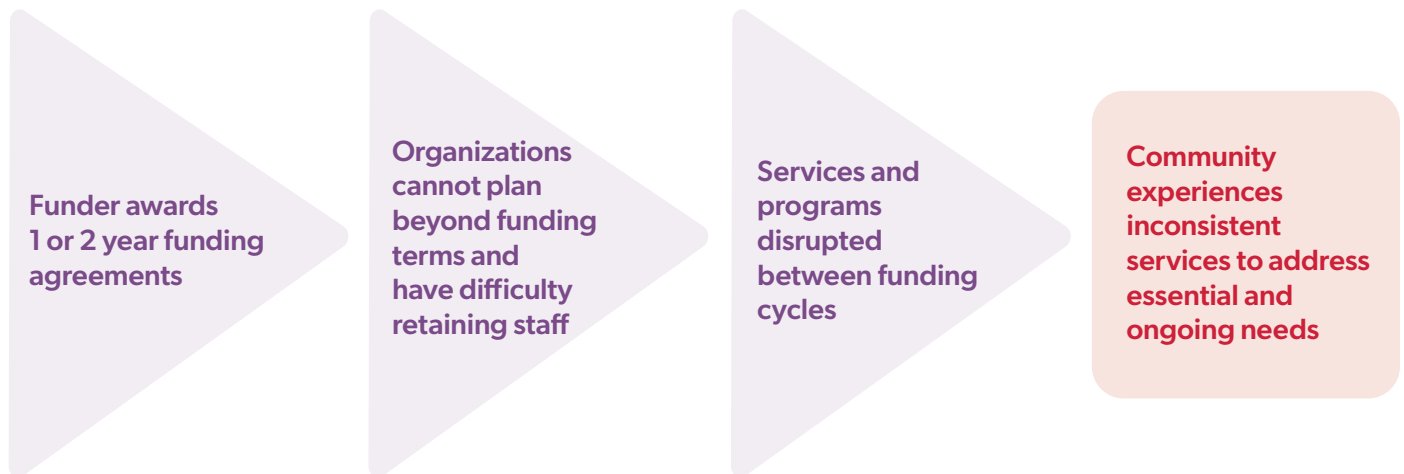
Length of Funding Terms

When asked about funder practices, many nonprofits mentioned the length of the funding terms. Organizations spoke to the benefits of multi-year funding, especially funding of three or more years, for meaningful community impact. Longer funding terms supported program continuity, helped build staff capacity, reduced turnover, and allowed organizations to invest in long-term relationship building with communities. One nonprofit in Western Canada spoke to the impacts of three-year funding terms, saying: “Progression in the programs is about developing capacity within [the] community, involving [the] community [with] reliable programs. A three-year [cycle] is a longer runway [to] mentor and build staff to deliver the program.”

Longer funding terms allow for adequate time to hire qualified staff. One nonprofit in Atlantic Canada described the challenges of staffing short-term projects:

FIGURE 4

Impact of Short-term Funding on Communities



Sometimes it's a one-year project, and it takes four months for a staff to settle in, or a couple of months to hire. Those things aren't anticipated [by] the government, which is a sweet irony. Having long term funding, whether that's two, three or four years, is generally more helpful [and] more sustainable.

Multi-year funding also plays a critical role in demonstrating meaningful community impact, a priority for the federal government and the nonprofit sector. Measuring change over a six to eight month period often only captures outputs or early indicators. A three-year term, on the other hand, enables organizations to demonstrate sustained outcomes and systemic shifts. One nonprofit in Western Canada described this distinction, noting that if someone enters a program as a nineteen-year-old and participates over a three-year period, you can see a transformation in them. However, if you try to measure the change in the same person at the end of a one-year program, you won't really see a difference.

Reporting and Accountability Requirements

Organizations highlighted that funding reporting requirements were often excessive and burdensome, particularly when added to existing Canada Revenue Agency regulatory requirements for charities. These overlapping requirements were described as time- and resource-intensive, diverting capacity away from service delivery. Reporting on results and impact can also be more challenging when departmental staff lack knowledge and understanding about their work. One Ontario nonprofit described the impacts, saying, "... The administrative requirements on programs and the amount of control has really thwarted our ability to innovate on the ground and really deliver what we need to deliver."

Many nonprofits noted that they rarely received feedback from departments on reports and were unclear how, if at all, the information was being used to inform decisions. Overall, the organizations described reporting as a compliance exercise, rather than a tool for

FIGURE 5

Impact of Administrative Burden on Communities



learning and program improvement. One Ontario organization was blunt, stating: “Had I not known how unimportant reporting to the government is, I would be more nervous as an organization receiving funding. But I know that reporting doesn’t really go anywhere... No one cares, so I don’t really.”

One nonprofit in Atlantic Canada compared the requirements from federal and provincial governments, stating, “The federal government’s application and reporting mechanisms [are] definitely more cumbersome...In many cases they have more interim reports, whether those are quarterly reports [or] more rigorous cash flow and budget expectations.” The organization explained their preference for the more trusting provincial approach, saying “[It] can be helpful, [funders] having that trust that the community organization is doing the work. We have so many checks and balances already.”

While reporting requirements were widely described as burdensome by the nonprofits we interviewed, those funded by Indigenous Services Canada were the only notable exception. Under transfer payment policies, reporting requirements are explicitly reduced for Indigenous recipients to minimize administrative burden. Three organizations receiving funding from this department consistently reported that the streamlined requirements were more manageable and proportionate. Reduced reporting did not detract from accountability, but instead prevented excessive administrative demands that could otherwise divert time and resources away from core programming and community impact.

Engagement and Communication Activities

Nonprofits spoke to many dimensions of the federal government’s approach to engagement and communication with both funded organizations and their communities.



Site visits are appreciated by nonprofits as a positive engagement practice because they allow departmental staff to directly observe the value of programs and services, strengthen relationships with nonprofit staff, and address knowledge gaps. One organization in Western Canada explained, “Site visits are important... I think that it’s very helpful for people to see and understand the context, the intention, and the purpose [of] the programs.”

Some of the nonprofits we spoke to also highlighted examples of times when federal funders listened and responded to sector advocacy. An organization from Ontario noted, “We were quite successful as an organization in introducing, advocating [for], and implementing projects that fifteen or twenty years ago were unthinkable [for] IRCC [to] fund. For example, specific programs to support pregnant newcomer women and young mothers.” Similarly, in the past nonprofits identified a significant gap in services for 2SLGBTQIA+ newcomers. IRCC acknowledged the feedback

and integrated it into subsequent funding calls. This action signaled that community input was not only consultative, but influential in shaping funding priorities.

Unresponsiveness from federal funders emerged as a significant challenge. One organization in Western Canada described the destabilizing impact of a lack of communication from the government in a case where funding was cut for a longstanding program. The organization made repeated but unanswered attempts to communicate with the department. It then received sudden notice that, after eight years of consistent federal support for one of its social programs, its funding would be reduced by 60%. The organization had six months to shut down the program, disrupting employment, undermining community relationships, and prematurely ending an established program. This unpredictability weakens not only organizational stability but also erodes community trust and continuity of care.

FIGURE 6

Impact of Excessive Compliance Focus on Communities



Nonprofits serving equity-denied communities reported an excessive emphasis on funding consultations with marginalized groups without corresponding action or structural change. A nonprofit in Central Canada highlighted this point, noting, “A lot of funding for 2SLGBTQ+ communities, especially Indigenous 2SLGBTQ+ communities, is for consultation and engagement...we’re a go-between to get this information rather than the government effectively hearing from Indigenous people.” While engagement is important, organizations described consultation processes that were repetitive, extractive, or disconnected from funding reform—placing additional demands on communities without meaningful results. Together, these practices constrain nonprofits’ ability to respond to community needs and reinforce top-down decision making that can undermine community-led impact.

Similarly, a Black-led organization in Atlantic Canada spoke to a disconnect between the government’s perception of their community and the reality of their community’s needs:

So many community members are tired of talking about the harms of our experience, and want places where we can be joyful and just have fun sometimes...I think governments and white systems have the expectation that BIPOC people exist in a monolith that looks like harm [the trauma of experiencing racism]. And those are all very real experiences, but on the flip side of that we also have a tremendous amount of joy and need for celebration and I don’t know if the Government is as willing to provide multi-year funding for us to do that.

Flexibility and Restrictions

During the interviews, nonprofits frequently mentioned the degree of flexibility, or conversely, restriction that they experienced from federal funders.

Many reported flexible practices during the pandemic that helped organizations respond more quickly to evolving community needs through tailored programs. One organization

in Ontario described this period, saying “We [got] funding for initiatives [we] were thinking of well before COVID... We got a chance to do a newcomer population survey [and] increased funding for our program that serves LGBTQ newcomers.” Flexibility during this time took many forms; for instance, some organizations were allowed to carry over unused funds to the next year.

Despite the positive steps taken during the pandemic, organizations consistently identified rigid funding design as a persistent barrier to effectively meeting community needs and achieving impact. In particular, funders’ narrowly defined priorities and funding programs were seen as limiting nonprofits’ ability to respond flexibly to evolving or unique community needs. One Indigenous organization in Central Canada described their federal funder’s language and restrictive rules about allowable expenses as colonial. Working within this funding structure meant this organization was restricted in its ability to create a trauma-informed space, give back to the community, and do engagements in a reciprocal way.

“IRCC has become increasingly directive about what we are and aren’t allowed to do. For example, in the last round of negotiations, they’ve put a cap on professional development [and] travel expenses. They’ve told us that we are not allowed to deliver higher level language classes at all. It seems very divorced from what the community needs are.”

–Nonprofit in Ontario

Organizations also described an overreliance on short-term, highly restrictive project funding as a significant operational challenge. These funding streams often place tight limits on eligible expenses—particularly operational and staffing costs—making it difficult to cover the core infrastructure required to function effectively. As a result, some organizations must secure dozens of small, time-limited grants to simply operate. One nonprofit in Atlantic Canada highlighted this issue, stating,

80% of the money we receive is project money and 20% [is core funding]. Our base money is managed every three years. You take the risk that it will change and so we are forced to multiply projects. Now, we have seventeen projects a year to be able to pay people’s salaries.



Similarly, another nonprofit in Atlantic Canada highlighted that funders often have unrealistic expectations when funding proposals are approved, but at amounts lower than requested. Despite reduced funding, organizations are often expected to deliver the full scope of work as initially proposed.

Decision-Making Processes

Nonprofits described a lack of transparency and accountability in departmental decision-making processes. While consultations with the sector did occur, the organizations we interviewed felt it was often unclear how input was used to drive decisions. This dynamic undermines trust and creates frustrations for nonprofits and their communities. Where decision-making is unclear, there is also the added risk of an uneven playing field.

A nonprofit in Ontario described how this confusion played out during a months-long negotiation process for their current funding agreement. They often struggled to understand where decisions were being made and which individuals were responsible. Decision-making power appeared to be shifting between managers, directors, and the regional and national offices. They noted that “it’s impossible to track and map a specific decision, and it’s very difficult to challenge it, because you don’t know who you should be talking to.”

Staff Knowledge and Capacity

The nonprofits we interviewed described deficiencies in the level of support they received from departmental staff and highlighted gaps in the knowledge base of program officers.

Our interviewees suggested that program officers should provide more support to those who most need it. However, they report that this is not happening in practice. Some nonprofits receiving funding for the first time reported receiving minimal support, leaving them unsure how to meet funder requirements. A nonprofit in Ontario explained that newer organizations often need more guidance and have more questions, so it was particularly frustrating for them when program officers were unresponsive.

When meaningful support for funding recipients is lacking, it can create additional barriers and administrative burden. It may potentially even lead to the loss of federal funding. Organizations suggested that alternative resources—such as online guides, instructions, or information sessions—would be helpful.

Naturally, program officers need adequate knowledge in order to meaningfully support funded organizations. However, nonprofits reported being assigned officers who had received insufficient training, creating a need for them to educate departmental staff about the nature of the nonprofit sector, their work, and community development principles. This puts extra labour on the plates of already resource-strained organizations. Nonprofits end up compensating for capacity gaps within federal departments even though funders should be reasonably expected to ensure program officers are properly trained and able to effectively carry out their duties.

One nonprofit in Ontario described an interaction with a program officer that highlighted the lack of contextual



understanding among some departmental staff. The organization had long supported 2SLGBTQIA+ newcomers and had previously received positive feedback from the department. However, during a meeting, the program officer questioned why only sixty participants attended a specific event when the organization had served 300 newcomers through other programs, describing the event's attendance as a low 20% participation rate. The organization found this critique confusing, as it appeared the program officer misunderstood how attendance works for one-time community events, where participation cannot be measured in the same way as ongoing, classroom-based programs. Nonprofits do not reasonably expect that everyone they serve in a year will attend a single event. The exchange illustrated how limited knowledge of program delivery can lead to unrealistic expectations and unproductive feedback, undermining the quality of engagement between departmental staff and nonprofits.

Several organizations noted that upstream, indirect services and systems-change interventions are often harder for funders to understand. Reporting frameworks, accountability indicators, and program language tend to be designed around direct service delivery models, with measurable outputs tied to individual participants. One Ontario organization described this struggle, noting that Local Immigration Partnerships are “a very different kettle of fish from direct services.” They went on to explain that “sometimes our troubles arise from the fact that IRCC has a very hard time getting its head around community development generally. They just don't understand.”

As a result of the government’s heavy focus on direct services, organizations engaged in policy advocacy, capacity-building, or systems-level work must invest additional time and effort to educate funders on how impact unfolds in this context. Systems change often produces longer-term, diffuse, and relational outcomes that do not fit neatly within traditional reporting metrics. This misalignment can create added administrative burden and undervalue the significance of indirect, structural interventions.

The nonprofits we interviewed described varied positive and negative funder practices in areas ranging from reporting requirements to engagement activities. The variation across departments reflects structural inconsistency, where promising practices remain localized rather than institutionalized government-wide.

Organizational Survey: Time and Resource Impacts of Funder Requirements

Of the sixteen organizations we interviewed, eight responded to a follow-up survey focused on the time and resource impacts of funder requirements. Table 9 provides an overview of these organizations and their experiences with funding applications in 2023 and 2024.

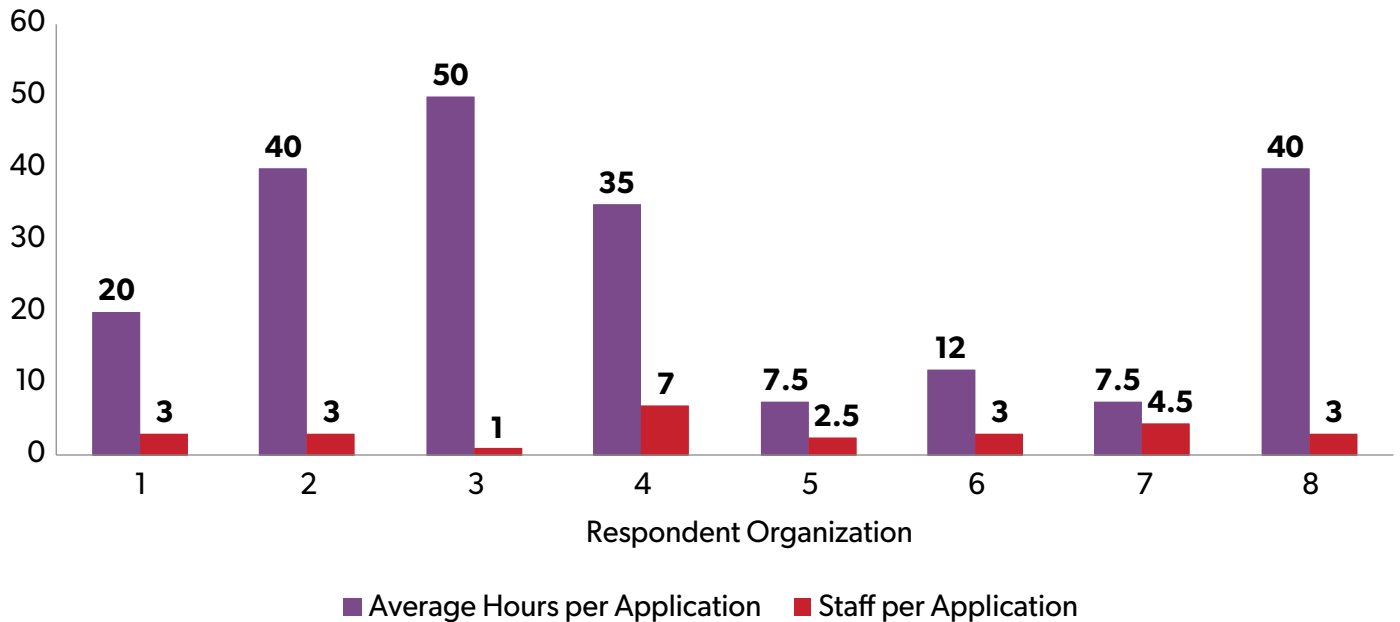
Our small sample size does not allow us to draw conclusions about the relationships between organizational capacity and grant application experiences. However, during the interviews, we consistently heard that organizations with limited administrative capacity have a limited ability to submit multiple proposals or navigate complex application processes, which can reduce their competitiveness. Funding models that do not adequately support core operational capacity may compound these pressures.

TABLE 9
Organizational Characteristics and Experiences with Funding Applications (2023-2024)

Respondent Organization	Annual Budget	Total Staff	Submitted Applications	Successful Applications	Average Hours per Application	Staff per Application
1	\$200,000	3	5	0	20	3
2	\$500,000	5	4	4	40	3
3	\$500,000	5	4	3	50	1
4	\$626,000	5	1	1	35	7
5	\$950,000	6	5	2	5-10	2-3
6	\$1,200,000	18	13	4	12	3
7	\$2,400,000	20	24	7	5-10	3-6
8	\$10,000,000	180	2	1	40	3

FIGURE 7

Average Number of Hours and Staff Dedicated to Each Funding Application (2023-2024)



Quantifying Time Spent on Funder Requirements

Survey respondents reported how many hours they had dedicated to fulfilling the administrative and accountability requirements for their federal funders over the past month. Table 10 highlights the variability in their experiences. One nonprofit reported spending three to four hours on activities related to funder site visits over the past month, while the other respondents reported dedicating zero hours to this purpose. This reflects the occasional nature of site visits.

TABLE 10

Hours Dedicated to Federal Funder Requirements in the Past Month

Respondent organization	Annual Budget	Total Staff	Hours Spent on Reporting	Hours Spent on Financial Monitoring Activities
1	\$200,000	3	25-40	30
2	\$500,000	5	2	–
3	\$500,000	5	0	7
4	\$626,000	5	2	2
5	\$950,000	6	15-25	3-4
6	\$1,200,000	18	8	6
7	\$2,400,000	20	10	10
8	\$10,000,000	180	20	8

Organizations generally reported that senior leaders spend more hours than other staff fulfilling their federal funder’s administrative and accountability requirements (e.g. reporting,

auditing and site visits). Given the higher pay rates and significant responsibilities of senior leaders, the time spent on this compliance work is costly.

FIGURE 8

Hours Dedicated to Federal Funder Requirements in the Past Month

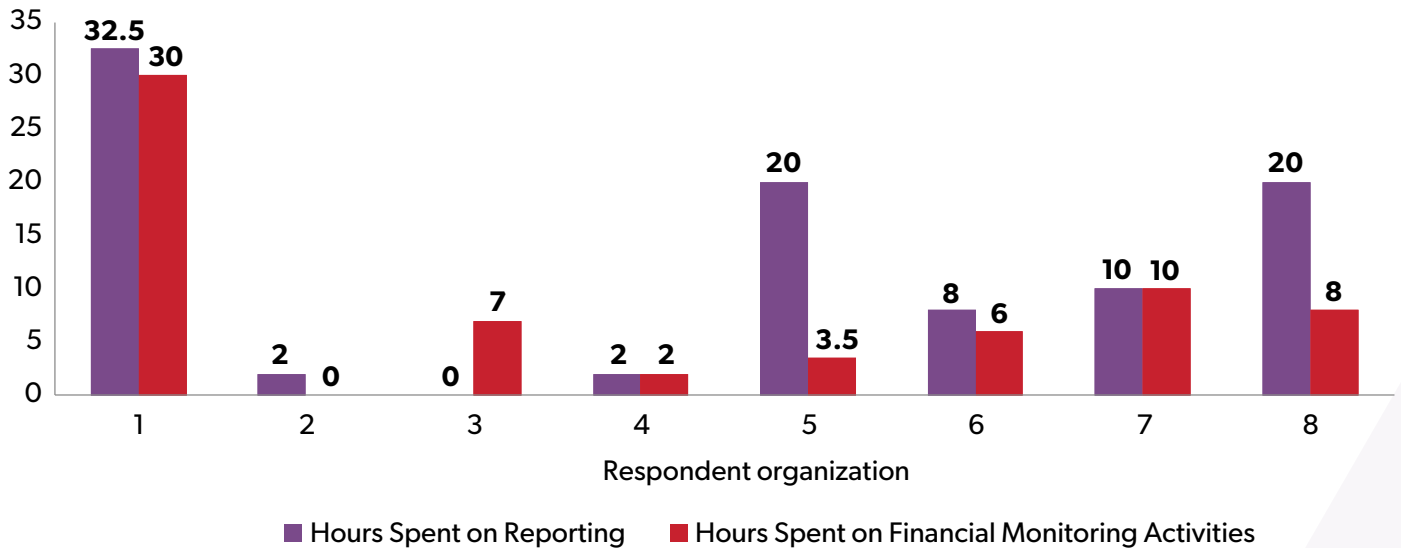


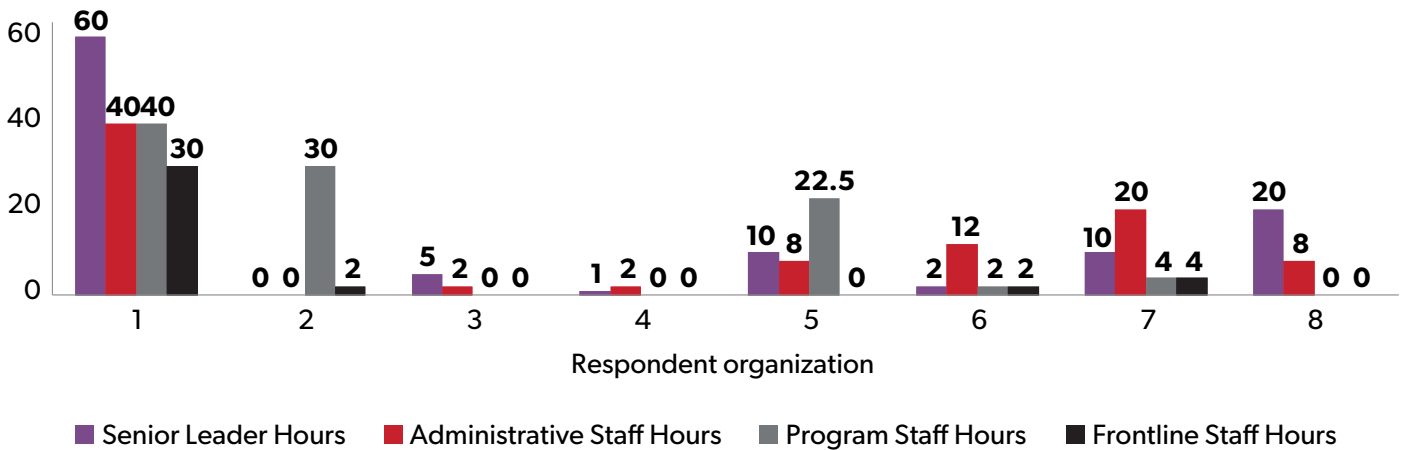
TABLE 11

Hours Spent on Federal Funder Requirements in the Past Month by Staff Seniority

Respondent Organization	Annual Budget	Total Staff	Senior Leader Hours	Administrative Staff Hours	Program Staff Hours	Frontline Staff Hours
1	\$200,000	3	40-80	40	40	30
2	\$500,000	5	–	–	30	2
3	\$500,000	5	5	2	0	0
4	\$626,000	5	1	2	0	0
5	\$950,000	6	10	8	20-25	0
6	\$1,200,000	18	2	12	2	2
7	\$2,400,000	20	10	20	4	4
8	\$10,000,000	180	20	8	0	0

FIGURE 9

Hours Spent on Federal Funder Requirements in the Past Month by Staff Seniority



The following sections share results from the open-ended survey questions which asked respondents to reflect on the operational impacts of funder requirements. Organizations were also asked about what it would mean for their work if federal funder requirements were to be reduced by half. Their responses describe

layered impacts, including administrative burden, strained staff capacity, and challenges responding effectively to community needs. The degree to which organizations are impacted depends on organizational capacity, funder relationship quality, and the specific requirements of their federal funding.

Organizational Impacts: Systems and Operations

As illustrated in Figures 8 and 9, organizations spend a significant number of hours fulfilling administrative requirements from federal funders. The open-ended survey questions provide important insight into how this plays out on the ground.

One nonprofit in Quebec reported that their daily operations and core services were “negatively impacted in every possible way. The grants we receive are extremely restricted, that means we are limited in our application of the funds and have strict procedures [for] reporting of how we use them.”

Organizations described a desire to improve their accounting and financial software systems in order to improve the efficiency of reporting tasks. However, although investment in operations could mitigate the negative impact of funder requirements, funder restrictions made it difficult to incur this type of expense. One nonprofit described a constant balancing act between maintaining services and trying to improve internal accounting and reporting systems.

Impact can be disproportionate for small, rural nonprofits. An organization in the North with only three staff reported that they had dedicated the equivalent of fourteen working days to meeting federal funding requirements. This staff time was diverted from service planning and delivery. Notably, this nonprofit was the smallest in our survey respondent pool but it spent the greatest number of hours on federal funding requirements. The organization detailed the work required:

Over the past months, our team dedicated about 100 staff hours to meeting administrative and accountability requirements, including reporting, accounting preparation and reports, and site visit coordination. While our staff were terms, and this temporarily redirected some of their time away from daily program delivery, it also strengthened our internal systems improving financial tracking, data management, and documentation practices. These activities support transparency and accountability but required us to adjust schedules and reallocate resources to balance compliance with service delivery.

While the organization saw some capacity building benefits, for an organization of this size, the opportunity cost is substantial. With such limited staffing, administrative tasks cannot be absorbed by dedicated teams; instead, they draw directly from the time of those responsible for delivering programs and engaging with the community. Nearly three weeks of staff time redirected to fulfilling administrative requirements represents a significant reduction in the organization’s capacity to deliver services and thus to advance the federal government’s funding objectives. This example underscores the structural tension small organizations face in balancing compliance-based accountability with impact.

To cope with funder requirements, one Northern nonprofit shared that they have embedded reporting activities in program delivery workflows to reduce service

disruptions. This operational strategy helps the organization better balance time spent on compliance with programming. However, this strategy is not equally viable to all nonprofits given variations in service delivery demands, evolving community needs, and sector realities.

Staff Impacts: Workload and Well-being

Numerous respondents reported that budget constraints, funding restrictions and a heavy but under-resourced administrative workload lead to significant burnout among staff. This, in turn, impacts the level of services organizations are able to provide. A nonprofit in Quebec described how this dynamic plays out within their organization:

Due to budget constraints, we currently operate with the minimum staff required, which poses its own set of challenges. Burnout is already notably higher among frontline workers in community care, which impacts our staff negatively in various ways. In order to meet all these funder expectations, this often requires that our staff, the heartbeat of our organization, take the biggest toll, as they have increasingly less support in place to perform their critical, life-saving duties.

Another nonprofit from Central Canada highlighted concerns about burnout and noted that current funding models also lead to an overreliance on costly temporary consultants:

The funding we get is often limited and project-based, so we can only hire so many staff and our staff are always overworked. Many staff are becoming burnt out, and we end up needing to hire consultants, but they lack the context of our operations. Relationship building with consultants also takes time and energy that is already limited.

When asked how reduced funder requirements would impact their organizations, respondents were clear that this change would help staff's workload and wellbeing. One organization in Quebec reported that they would expect to see "less burden on admin [staff] to chase operations for details and numbers."

"[Reduced funder requirements] would result in staff having more capacity and bandwidth to focus on expanding our work, having a larger impact and seeking more funding."

–Nonprofit in Ontario

A nonprofit in Quebec highlighted that reduced funder requirements would allow them to better support staff and afford them more flexibility, organizational sustainability and autonomy:

Less funder expectations and requirements would help us get out of our current deficit, increase our staff and help fund a benefits plan for them (which we have been applying for, for some time), and overall [create] positive program outcomes.

Community Impacts: Service Access and Quality

The considerable time and resources that nonprofits must dedicate to meeting federal funding requirements can limit their ability to respond to community needs and constrain their service delivery capacity.

The administrative burden stemming from federal funding can extend beyond the requirements outlined in the funding agreement. From Atlantic to Western Canada, nonprofits consistently report that a constant flow of emails, documentation requests, and unexpected deadlines and meetings contribute to a significant and unpredictable administrative work load. This limits program impact and, in some cases, access to services for community members. A nonprofit in Western Canada noted, “It takes time away that could be better used to support participants, improve the program, work on expanding services, or [improve] workplace culture.”

Numerous respondents reported that they had developed strategies to adapt to complex federal funding requirements. Some have had to reduce direct service intake or limit support to clients in order to manage operational costs. A nonprofit in Ontario noted that they had been forced to reduce the number of women they serve through their mentorship program because they’ve had to pull one staff away from program delivery to help with reporting and grant applications. Similarly, another nonprofit in Ontario reported that, “Instead of focusing on impact, expanding programs, or increasing visibility, we spend so much time collecting

data, writing reports, analyzing data, and going back and forth between team members until something is ready to submit.”

Survey respondents described a number of ways that reducing funder requirements would help them better serve their communities by freeing up significant staff time. An organization in Ontario noted that having fewer funder expectations would allow them to “dedicate more senior staff time to strategic collaboration with partners, advance innovative initiatives, and expand knowledge-sharing activities to enhance community impact beyond our immediate deliverables.”

“I would have more time for on-the-ground work [like] meetings, research, advocacy, and communications.”

–Nonprofit in Atlantic Canada

Overall, the survey results highlight the significant resources nonprofits dedicate to compliance with federal funding requirements, and how this ultimately constrains the availability and quality of services for communities. While some administrative requirements are imposed by legislation or policies, there are also areas of flexibility. Federal departments can play an important role in reducing administrative burden for funding recipients through intentional program design and implementation.

Community Engagement: The Impacts of Funding Practices on the Ground

Community engagement activities—including focus groups and interviews—complemented organizational interviews and surveys to incorporate community perspectives on the impacts of funding practices. This study engaged nine community members from four nonprofits. These community members emphasized the urgency of addressing basic needs, noting that many programs support fundamental human rights but are often underfunded. They also raised concerns about staff burnout linked to unstable funding and expressed uncertainty about the future of programs and services.

Community perspectives highlight the heightened impact of federal funding practices on communities experiencing systemic barriers and oppression, where service disruptions can have more serious consequences. At the same time, community members also underscored the power of sustained and stable funding as a means of supporting healing, stability, and long-term well-being in marginalized communities.

Basic Needs Must Be Urgently Addressed

Community members emphasized the critical role nonprofits play in their lives, giving them access to resources that would otherwise have been unavailable, from employment skills and mentorship to cultural programming, food and a warm place to sleep. One focus group participant from a northern community



spoke to the heightened value of community programming for rural and remote communities where service delivery is often sporadic.

Community members' stories illustrate how nonprofits achieve program objectives and foster meaningful social and economic inclusion.

“Every human being has the right to have lodging, has the right, if [they] have health problems, to go to the hospital... if the services we receive here are non-existent, then what type of society are you gonna end up with?”

—Focus group participant in Quebec

One community member in Quebec emphasized both the essential nature of nonprofits that provide people with basic necessities of life and the insufficiency of how these services are funded.

Naturally, this organization could benefit from increased funding in order to provide all those basic needs. Things people take for granted – for example, just a basic winter coat. Often they’re coming to ask me, ‘Do we have an extra blanket? Do we have a winter coat?’ And often we’re saying we [only have] spring coats, we don’t yet have any winter coats. We’re waiting for private donations. But [the need is] constant, constant, constant.

Government Support Seen as Essential

Community members expressed that they felt that stable government funding was the only realistic way to fund the nonprofit services when so many people are in need. One focus group participant in Quebec stated:

Realistically speaking, there’s absolutely no way an organization of this size that serves this many people can only rely on private donations. It’s impossible. They need government funding – big, consistent funding. As we speak, they’re basically doing miracles with a few resources. It’s unbelievable, the work they accomplish.

Unstable Funding and Rising Demand Lead to Staff Burnout

Community members highlighted the growing workload and mounting pressure facing nonprofit staff. Many described the sector as nearing a

breaking point, with organizations stretched to their limits in responding to urgent, growing and increasingly complex community needs.

“The social workers here are so overwhelmed that we’re at a breaking point now. One social worker has forty clients, and if she’s lucky, she gets to spend ten minutes with each of them. That’s nowhere near enough time to address whatever problem they’re having.”

–Focus group participant in Quebec

Funding Constraints Create Long-term Challenges

For an organization serving unhoused people, challenges with federal funding can amplify the challenges of serving highly vulnerable populations. One focus group participant in Quebec noted that many unhoused people are living in subway stations, creating visible public crises that reflect funding constraints. They see this as “a direct result of the funder not addressing the needs of the homeless people.” The participant emphasized that these situations raise broader questions about the societal impacts of current funding practices, stating, “What type of society are you going to end up with in five to ten years? You’re going to have social problems.”

Another community member in Ontario spoke about the value of a nonprofit focusing on employment mentorship for racialized and marginalized women. However, they also described the negative long-term impact of funding constraints, remarking:

Ultimately, it leads to a negative snowball effect. Over time, the impact is women not being supported in their careers, a lack of advancement, companies not taking [women's access] seriously, and women not getting promoted. It is really important that diverse women are supported, because they make up the fabric of the country and a lot of these industries are [still] very male-dominated.

Consequences of Funding Constraints Are Life-Threatening

Community members noted that the consequences of funding constraints can be particularly serious for equity-denied groups, where disruptions in services can have significant impacts on safety and access to essential supports. One focus group participant in Quebec spoke to the severity of this impact, saying, “The issue with the lack of funding is – and it’s going to sound crass and harsh – but if the homeless aren’t getting the resources they need, unfortunately, when it gets colder, oftentimes it leads to death.”

Sustained Funding Can Help Heal Communities

Community members from Indigenous organizations emphasized the healing power of dedicated spaces for ceremony, cultural

programming, and community building. One community member from Central Canada voiced their appreciation for government support for cultural programming for their community of Two-Spirit people.

While the impacts of this work may not be immediately visible within short-term, restricted project funding cycles, community members consistently described how sustained programming creates lasting change. Over time, these investments strengthen connection and well-being — outcomes that require long-term support to be fully realized.

Community voices are essential to understanding the impacts of federal funding. Public servants and bureaucratic systems are often far removed from the everyday realities of Canadians who use and benefit from nonprofit services. Without clear pathways for communities to share their experiences and inform policy, funding frameworks and governance structures, federal dollars are being spent through systems that constrain community impact during a time of rising needs. Community perspectives underscore both the value of nonprofits and the real risks posed by their continued precarity, reinforcing the need for more sustained funding and grounded policymaking.

Discussion

The nonprofit sector delivers essential social, environmental and community services across the country and around the world. These organizations work in urban and rural settings with the general public and equity-denied communities. Despite the ubiquity of nonprofits in the lives of Canadians, funding to support their work is often irregular and sporadic. However, nonprofits continue to support communities in the face of fluctuations in public opinion, political will, and socioeconomic conditions.

This project evaluated the impact of federal funding policies and practices on a range of nonprofits and the communities they serve using a community-based participatory action research approach. It highlighted meaningful data and policy insights that can inform sector advocacy, foster understanding of the policy landscape, and identify promising funding practices.

Nonprofits do not experience federal funding in isolation from broader sector dynamics. Long-standing issues such as chronic underfunding of core operations, workforce precarity, and rising demand for services intersect with federal funding practices in ways that compound stress and vulnerability (Ayer & Anderson, 2022; Edwards, Jensen, & Mauermann, 2022). This project seeks to contribute to these broader

conversations by systematically examining how federal funding relationships are structured, governed, and experienced.

Funder Relationships

Organizations often describe their relationships with funders as generally positive because, at a personal level, they frequently experience goodwill, respectful communication, and a shared commitment to community outcomes. Program officers may be supportive, approachable, and genuinely invested in the success of funded work. These interpersonal dynamics shape how organizations assess the overall tone of the relationship.

At the same time, nonprofits consistently report significant operational challenges in how funding is administered. These include limited flexibility to respond to community needs, inconsistent interpretation of rules, and delays in payments that create cash-flow pressures and organizational risk. Nonprofits use social capital, staff time and government relations knowledge to manage funder relationships. While nonprofits often frame these issues as systemic rather than specific to their organization, their cumulative impact can be substantial—affecting staff retention, program delivery, and organizational sustainability.

These findings highlight a disconnect where relationships are perceived as generally positive, yet the day-to-day realities of funding practices remain difficult and, in some cases, destabilizing. Organizations may normalize these challenges as “part of the system,” particularly when funders are seen as being constrained by policy, legislation, or internal risk management processes. As a result, nonprofits can simultaneously express appreciation for funders’ intentions while also identifying persistent problems that require structural change.

Importantly, nonprofits’ description of relationships as generally positive should not be interpreted as an absence of a need for reform. Rather, it reflects organizations’ ability to differentiate between individual funders’ efforts and the broader funding architecture within which those individuals operate. The consistency and severity of the challenges identified suggest that goodwill is insufficient on its own; meaningful shifts in funding practices are required to better align stated commitments with operational realities.

Funder Practices

Organizations participating in this research highlighted a range of positive funding practices that support their ability to effectively respond to community needs. In particular, they pointed to funders who demonstrate openness to meeting and discussing requests, respond to organizations in a timely manner, and show a willingness to adapt program rules when provided with clear information and evidence. These adaptations do not contravene legislative

or policy requirements, but rather reflect a flexible interpretation of existing rules that allows funding to be used more effectively.

Organizations also noted that not all departments are equally open to exploring flexibility. Differences in risk tolerance across various levels of the bureaucracy can influence whether and how flexibility is exercised.

Organizations also spoke extensively about persistent challenges in their funder relationships which can hinder day-to-day operations and jeopardize the long-term impact of federal funding. These include short-term or highly restrictive funding, shifting priorities with sudden and urgent requests, a lack of transparency and responsiveness, and limited support for navigating funder expectations. These practices can strain staff capacity, create instability, and divert attention away from community impact toward compliance.

The survey results highlighted that, for a small nonprofit serving remote communities, funder requirements can take a disproportionate toll. Smaller nonprofits do not have the capacity, resources, and infrastructure to absorb resource-intensive reporting requirements. Additionally, the capacity gaps of a small nonprofit are further exacerbated by the realities and challenges of working in rural settings.

Federal Funding Impacts

The funding context described in this study affects nonprofits and the communities they serve at four interconnected levels: individual, organizational, community, and systemic.

Nonprofits and their communities expressed gratitude for the support they receive from the federal government. This funding supports crucial programming and services that support everything from cultural safety to the basic necessities of life. In some cases, it fills gaps by supporting work that is outside the scope of many other funders and plays an outsized role in sub-sectors that fall under federal jurisdiction, such as settlement services.

However, although organizations vary in size, capacity, and mission, the shift toward short-term, project-based funding and intensive administrative requirements has created widespread pressures that have broad impacts on nonprofit service delivery, sector operations and equity.

At the individual level, staff and volunteers often face employment instability and increased workloads. Because many programs rely on short-term funding, employment contracts are temporary and tied directly to funding cycles. This creates uncertainty for employees and makes retaining experienced staff difficult. Employees frequently balance service delivery with administrative tasks such as grant writing, reporting, and meeting other compliance requirements. Over time, these pressures can contribute to burnout, stress, and reduced morale, particularly in smaller organizations where staff must take on multiple roles.

For organizations, unstable funding structures affect planning, program continuity, and mission alignment. Short-term, restricted project funding limits the resources organizations have to develop long-term

strategies or invest in infrastructure, staff development, and evaluation. Nonprofits may need to repeatedly adjust their programs to match funding priorities, which can result in mission drift or fragmented services. High turnover within federal departments can lead to loss of institutional knowledge, creating additional labour for nonprofits as they must dedicate time to educating new program officers. Smaller and grassroots organizations often struggle the most because they have fewer administrative resources to manage administrative and reporting processes.

Communities experience the effects of these funding pressures through reduced service stability and accessibility. They may also lose trusted relationships with organizations if staff turnover is high or programs are discontinued. Smaller grassroots organizations—often deeply embedded in their communities and responsive to local needs—may be particularly vulnerable in competitive funding environments. If these organizations struggle to sustain operations, communities may lose culturally-relevant, locally-informed services that larger organizations cannot easily replicate.

At the systemic level, the funding environment influences the structure, equity, and effectiveness of the nonprofit sector as a whole. Competitive project-based funding can discourage collaboration and concentrate resources in larger organizations that are better equipped to navigate complex funding systems. This can reduce the diversity of organizations operating in the sector and weaken grassroots representation. Additionally, financial dependence on funders may discourage

organizations from engaging in policy advocacy or critical dialogue, limiting the sector's ability to address systemic issues and influence policy change.

Taken together, these impacts affect not only the sustainability of individual organizations but also the quality, continuity, and equity of services available to communities. Without funding approaches that provide greater stability, flexibility, and recognition of organizational diversity, federal funders risk weakening their capacity to support Canadians and address long-term social challenges through partnerships with the nonprofit sector.

Policy Context and Funding Reform

Currently, the government uses the language of “financial assistance” to describe funding for nonprofits. It can better recognize the value of the sector by reframing nonprofits as strategic partners in recognition of their significant social and economic contributions and reframing funding for nonprofits as an investment in sustainable social infrastructure.

Policy language should emphasize accountability, effectiveness, and impact while recognizing that many needs—such as those related to disability and social exclusion—persist across the lifespan. By acknowledging that these needs are ongoing, the government can move away from crisis-driven funding models toward stable, predictable supports that enable organizations to plan, retain skilled staff, and deliver consistent services. Stable funding allows service providers to work proactively with individuals to support skills development, health maintenance and social inclusion over time. Ultimately, it allows people to rely on dependable systems of care, fostering independence over time.

Positioning certain nonprofit-delivered government supports as stable public services can lead to better long-term outcomes. Predictable funding reduces administrative burden, minimizes service disruptions, and lowers costs associated with emergency interventions and system churn. By treating these supports as essential components of a functioning social system, governments can strengthen accountability, improve service



quality, and ultimately achieve better value for public spending while upholding commitments to equity and inclusion.

One of the central challenges in advancing nonprofit funding reform is that, relative to other federal expenditures, investments in the nonprofit sector represent a comparatively small share of overall government spending. As a result, the sector often receives limited strategic attention despite its outsized role in community wellbeing and its significant economic contributions (Lasby, 2025). This can make systemic funding issues—such as administrative burden, funding rigidity, and payment delays—appear marginal within broader fiscal and policy discussions, even though their impacts on organizations and their communities are significant and, in many cases, destabilizing.

Compounding this challenge is the paternalistic framing of the nonprofit sector within government policy. Nonprofits are viewed primarily as recipients of financial assistance or delivery agents rather than as strategic partners with expertise. This framing reinforces assumptions that organizations require heightened oversight, controls, and detailed compliance mechanisms to ensure accountability. Such assumptions reflect a broader power imbalance embedded in public funding relationships. While policy and legislative frameworks may technically allow flexibility, these misperceptions limit how that flexibility is interpreted and applied in practice, reducing funders' willingness to adapt rules to better reflect on-the-ground realities.

Influenced by neoliberal governance models and new public management practices, funding systems prioritize risk mitigation, auditability, and measurable outputs over trust, relational accountability, and long-term impact. In practice, this can create overly restrictive funding practices and layers of reporting, monitoring, and procedural requirements that make delivering services more difficult.

At its core, the government's current funding approach signals an underlying distrust in nonprofits' ability to manage their own organizations responsibly. The prescriptive and compliance-heavy model can take on paternalistic—and in some contexts colonial—dimensions, particularly when applied to organizations serving communities facing systemic barriers. Rather than recognizing autonomy and expertise, the system often assumes deficiency and risk, reinforcing structural power imbalances and constraining the sector's ability to focus on mission-driven work. Shifting power through policy language and including the nonprofit and community perspectives into how policies are written and outcomes are defined could increase the impact of federal funding.

Advancing change under the current system is complex. There are opportunities for quick wins within specific programs and departments by scaling existing good practices. Change at this level is most likely where there is openness to addressing misperceptions, building shared understanding of sector realities, and aligning funding practices more closely with community needs while remaining within policy parameters. However, the targeted advocacy

required to pursue this approach could take decades given the vastness of the sector and its relationship with government. Fully addressing the sector's federal funding challenges requires government-wide reform efforts. Trust and relationship-building must be central to this process—through sustained dialogue and shared learning—so that both funders and organizations can navigate federal systems more effectively and develop practices that balance accountability with flexibility.

Nonprofit organizations are not asking for special treatment. Like other organizations, they need transparent expectations, consistent practices, timely communication, and mechanisms to resolve issues. Addressing funding challenges can improve trust, strengthen accountability, reduce administrative and reporting burden, and support better outcomes for both the government and communities.

Throughout this study, nonprofits funded by different departments reported similar funding challenges, pointing to systemic issues in how the government engages with the nonprofit sector. Improving funder practices requires a clearer understanding of the full scope of existing issues. This includes systematically identifying where positive practices exist, under what conditions they emerge, and mapping experiences across the nonprofit landscape. While government-wide policy change may take time, documenting existing federal practices and creating regular mechanisms for engagement between department leaders can build knowledge and understanding of the issue. Existing positive practices can be scaled without waiting for policy change and begin to drive meaningful changes quickly.

Recommendations

Based on our findings, we have identified eleven achievable ways to build a more fair and sustainable funding system for the future. These recommendations relate to policy reform, funding practices and relationships.

Policy Reform

- Revise policy language to explicitly recognize nonprofits as strategic partners and avoid language that frames these organizations as recipients rather than collaborators and intermediaries between government and communities.
- Fully implement policy recommendations from the 2006 report of the Independent Blue Ribbon Panel on Grant and Contribution Programs and the 2019 report of the Special Senate Committee on the Charitable Sector:
 - Simplify administrative requirements to strengthen accountability;
 - Compensate full administrative costs associated with federally-funded nonprofit service delivery;
 - Ensure funding agreements cover a minimum of two years (renewable as appropriate);
 - Make application and reporting requirements commensurate with the level of funding: and

- Create a standardized set of reporting requirements and an online tool for submission of financial reports based on these requirements.
- Create a mechanism for the nonprofit sector to provide feedback on funding policies, directives, and guidelines.
- Develop plain language resources and guides for program officers to promote understanding of funding policies and practices to improve consistency in implementation across government.
- Establish ongoing communication channels between the nonprofit sector and federal departments to inform funding program goals, eligibility criteria and reporting requirements.

Funding Practices

- Implement and enforce improved service standards for the work of federal program officers in areas such as responsive communication, timely payments, and complaint resolution.
- Create accessible, anonymous feedback mechanisms for current and past funding recipients.
- Identify and scale good practices through collaboration across federal departments and with Treasury Board Secretariat.

Funding Relationships

- Develop mandatory training and continuing education programs for departmental staff, including program officers, through the Canada School of Public Service. Training can cover nonprofit sector structures, funding realities, workforce dynamics, and community engagement practices to reduce the need for nonprofits to repeatedly educate departmental staff.
- Implement competency standards for program officer knowledge on nonprofit sector realities, context, and constraints.
- Implement structured handover processes and documentation systems so new program officers can quickly understand existing agreements and relationships.

Conclusion

This mixed-methods study — integrating a federal policy review, interviews and survey data from diverse nonprofits, and focus groups and interviews with community members — examined the federal funding landscape and its impact on the communities served by nonprofits.

Our findings show that federal funding is complex, shaped by multiple intersecting mechanisms that produce both convergence and divergence in nonprofit experiences. Federal funding makes a real difference in communities by supporting crucial nonprofit programs and services. However, rigid, administratively-intense and paternalistic policies inform heavy compliance and reporting requirements which ultimately hinder service delivery and community impact. Mapping the system and patterns helps disentangle these mechanisms — revealing where flexibility exists, where ideology is deeply entrenched, and who holds influence to shift practices.

Political will and departmental leadership emerge as critical drivers of change. Although the federal funding system is governed by rules and policies, its implementation varies across departments. This variability suggests that, despite structural rigidity, there are meaningful opportunities to shift and improve funding practices within the existing system. By isolating key levers within funding policy design, governance, and accountability structures, a roadmap emerges for federal funding reform.

Nonprofits experience federal funding within a broader sector context marked by chronic underfunding of core operations, workforce instability, and rising service demand. Federal policies can either compound these pressures or help stabilize the sector. This research presents an opportunity to reshape how the federal government — and, in turn, Canadians — understand the role, capacity, and impact of the nonprofit sector.

Appendix A: Interview Guide

Introduction

Thank you for taking the time to participate in this interview. We appreciate having the perspective of your organization included in this project. Also, thank you for sending your consent forms to me ahead of this interview.

My name is Muna Osman, and I'm conducting a study to better understand the impact of federal funding practices on nonprofit organizations and the communities they serve. The insights you provide will help us explore potential solutions and improvements in the nonprofit funding landscape. This interview will take approximately 60 to 90 minutes, and all responses will be kept confidential. There will be 3 sections to this interview, first we'll start with some introductory questions, then we'll explore funder relationships, and finally, we'll discuss community impact and overall outlook. Are you ready to begin?


1. To start, can you each briefly tell me about your role at *Organization Name* and the mission of your nonprofit?

Funder Relationships

2. As you know, this is a study of funding practices, how would you describe your funder-grantee relationship with *Federal Department Name*?
 - (a) *Prompt:* Are there any longstanding issues (positive or negative) in this relationship?

Community Impact

3. How do federal funding practices and policies **help** you as you try to:
 - (a) improve the quality of funded programs and services
 - (b) development of relationships with your community
 - (c) provide consistent, reliable support for your community over the long term
 - (d) meet the demand/need for funded programs and services from your community
 - (e) innovate new solutions to longstanding and complex issues

- 
4. How do federal funding practices and policies *hinder* you as you try to:
 - (a) innovate new solutions to longstanding and complex issues
 - (b) to meet the demand/need for funded programs and services from your community
 - (c) provide consistent, reliable support for your community over the long term
 - (d) meet the demand/need for funded programs and services from your community
 - (e) innovate new solutions to longstanding and complex issues

Funding Outlook

5. Can you walk me through an experience of a challenge, what you thought the causes were, and how this impacted the community?
6. If you received this funding without restrictions, in what ways will the funded programs or services look the same or different?

Closing

This brings us to the end of the interview. Thank you for sharing your perspective. Is there anything else you would like to add to our discussion that you haven't mentioned yet? Thank you so much, again, for your time and valuable insights. Your input will greatly contribute to our understanding of the nonprofit sector and the federal funding landscape. I will reach out to you (or your team) shortly to walk through the monthly survey process.

Appendix B: Follow-up Survey

These brief surveys will be used to collect monthly data on the amount of time and resources an organization uses to meet all administrative & accountability requirements related to the funding, including but not limited to reporting, financial monitoring exercises, site visits, and audits.

Funding Patterns

[These questions only for the first survey, not included in follow up]

1. How many applications did this organization complete in 2023? _____
2. How many of these applications were successful? _____
3. On average, how many hours do this organizations spend on each application? _____
4. On average, how many staff are involved in each application? _____

Reporting Demand

Using the table below, please outline the resources required to meet reporting requirements to the funder. Please focus on the funding program [name of funding program] from [name of department]. Indicate the role of the individual responsible, the number of hours worked, the hourly rate for the role, and the completed activity using the drop-down menu provided. Indicate the total number of individuals involved in meeting administrative and accountability requirements by the funder.

TABLE A1

Monthly Estimates of Time and Resources Spent on Administrative and Accountability Requirements By The Funder

Team (e.g., ED, accountant, program staff)	Seniority	Hours spent (e.g., 2 hours)	Activity (e.g., reporting, finances, audits, site visits)
Leadership Accounting/Admin staff Program staff	Senior Leaders Manager Frontline		Reporting Financial monitoring Audits Site visits Other, please specify

Note: Table contents were drop down options in a survey software.

Monthly Impact

1. *Over the past month*, in what ways did reporting impact the daily operations of your organization?
2. *Over the past month*, in what ways have you needed to adjust your operations (e.g., budget, staffing, program outcomes) to meet funder expectations?
3. In what ways would you shift your operations (e.g., budget, staffing, program outcomes) if funder expectations and requirements were *significantly reduced by 50%*?

Appendix C: Focus Group Guide

Introduction

Thank you all for taking the time to participate in this focus group. We appreciate having your perspectives included in this project. Also, thank you for sending your consent forms to me ahead of this discussion.

My name is Muna Osman, and I'm conducting a study to better understand the impact of federal funding practices on nonprofit organizations and the communities they serve. The insights you provide will help us explore ways to improve how nonprofit organizations receive funding.

This focus group will take approximately 60 to 90 minutes, and all responses will be kept confidential. There will be 3 sections to this interview, first we'll start with some introductory questions, then we'll explore funder relationships, and finally, we'll discuss community impact and overall outlook. Are you ready to begin?

1. To start, can you each briefly tell me about yourself and how you engage with *Organization Name*?

Program Responsiveness

2. In what ways do funded programs and services respond to the needs of your community?
 - (a) Are there any ways these programs helped you or your community?
 - (b) In what ways have the types and availability of programs changed at this organization?
3. In what ways can funded programs and services at *Organization Name* provide more consistent and reliable support for your community in the long run?

Funder Role

I will continue with some questions about the funding sources that support the programs and services available at this organization. If you are not familiar funding patterns, we can continue to the next set of questions.

4. In what ways do you think the relationship between this *Organization Name* and its funders affects the way community members, like you, are involved in the services offered?
5. If you could connect directly with the funders who support this organizations, what would you like them to know about what your community needs from the programs that they fund?

Funding and Program Outlook

6. You participate in [name of funding program] funded program. If you could change this program in any way (e.g. frequency of support, duration of program, type of programming), how would you change it?

Closing

This brings us to the end of this focus group. Thank you for your sharing your perspective. Is there anything else you would like to add to our discussion that you haven't mentioned yet? Thank you so much, again, for your time and valuable insights. Your input will greatly contribute to our understanding of community needs, funded programs, and the nonprofit sector.

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