



CANADIAN COUNCIL *of* CHRISTIAN CHARITIES
ADVANCING MINISTRY TOGETHER

The Honourable Ahmed Hussen MP
Minister of Families, Children, and Social Development
House of Commons
Ottawa, ON K1A 0A6

April 21, 2020

Dear Minister:

The Canadian Council of Christian Charities (CCCC) recognizes that the federal government has done much to support our economy in the COVID-19 crisis, including today's announcement, and wishes to thank you and the government for your commitment to the well-being of all Canadians. We especially want to thank you personally for taking a leadership role in looking out for the charitable sector.

CCCC is an umbrella organization of more than 3,400 registered charities that are in direct membership. Through our member national denominational offices, our reach extends to many thousands Christian churches. Our members include not only churches and national denominations, but also Christian charities engaged in healthcare, shelters, counselling, relief and development, care for the environment, the arts, senior's care, refugee welcome centres, and so on.

CCCC endorses the proposals submitted to the government by Imagine Canada and Cardus.

The purpose of this proposal is to build on their proposals. Our purpose is to achieve the two goals of 1) maintaining the viability of the charitable sector and 2) funding charities that are expanding their programs to meet the needs that the COVID-19 pandemic has created. At the same time, we want to significantly reduce the cost to the government of administering its support structure for grants related to the first purpose of supporting the viability of the sector.

Pandemic Response Funding

CCCC endorses Imagine Canada's proposal "as is" for the following purposes that are related to the pandemic, which they listed under "Eligibility":

- increased or significant change in demand related to the Covid-19 crisis;
- increased costs in delivering services because of the Covid-19 crisis (e.g., paid staff rather than volunteers, personal protective equipment, etc.); and
- programming reductions due to physical distancing.

Viability Funding

CCCC endorses the distribution model proposed by Cardus to give effect to the last of Imagine Canada's eligibility criteria, which was related to sustaining the viability of the sector, namely:

- projected revenue declines in 2020 which constitute a threat to their work and survival.

Policy Goal

CCCC's primary goal is to ensure that as many of Canada's registered charities as possible survive the COVID-19 pandemic crisis on the basis that every registered charity, by definition, provides a public benefit to Canadians, and thus any loss of charities negatively impacts the quality of life in Canada. Sustaining all charities therefore maintains and adds to the richness and health of our nation.

We believe that every charity needs to address the current challenges and adapt accordingly, which may require significant and painful restructuring. Nevertheless, the fact is that some financial support will be needed. We have structured our proposal bearing in mind the cost to the Treasury, the responsibility of charities to manage wisely, and including the public as part of the solution.

Our Request

Our request relates to how grants are calculated and distributed to meet the need identified in Imagine Canada's eligibility criteria: "projected revenue declines in 2020 which constitute a threat to their work and survival."

CCCC proposes that funding for this purpose be calculated and distributed by using the Matching Donations model proposed by Cardus. This form of grant distribution can be done much more easily and inexpensively than Imagine Canada's suggested funding model, which would still apply and make sense for the other eligibility criteria.

Rationale for "Matching Donations" Distribution Model

It is highly efficient for both the government and charities

The application process is simple for both the government and registered charities to administer. It does not involve grant applications but simple reporting of existing records using a government-prescribed form for the purpose. The need for additional bureaucracy is minimized under this proposal.

As stated by Cardus, registered charities already provide official receipts for Income Tax purposes. These receipts are auditable by CRA's Charities Directorate and are matched to taxpayers' Income Tax filings through CRA's normal processing of personal tax returns. Subsequent verification through audits or reviews should be straightforward. Even if a charity issues only annual Income Tax receipts as opposed to a receipt for each individual donation, charities still track individual donations and can produce these records for government auditors. Auditors can reconcile these records to banking documentation.

It leverages government grants

The model requires support from the public as a precondition for grants to be given. This is a true partnership between the public and the government, and this partnership distinguishes the program from a "bailout." Charities cannot rely solely on government support. They must continue to fundraise and manage wisely, and donors must continue to give.

It promotes charitable giving

As Cardus noted in their proposal, when donors know there are matching funds, they give, on average, about **19%** more. Hopefully, people will become accustomed to giving through the matching initiative and continue after the crisis is over.

It only requires existing fundraising capabilities

Many charities do not have the skill or capacity for grant writing. Instead, they have expertise in fundraising from individual donors. The Matched Donations model makes use of a strength that charities already have.

It maintains a level of risk for charities because they must still fundraise

If charities raise no money, there is nothing for the government to match. This fact ensures that charities will exert their best efforts to stay viable. The risk also encourages them to seriously examine their way of operating, find creative ways to reduce costs, and to become sustainable in light of changing donor behaviour.

The government is not actually matching all donations, but matching donations to the point of covering the gap between donations last year and this year.

Part of the cost of these grants would be recovered from a lower tax expenditure on charitable donations

The grants are only given to a charity because it has lost donation revenue. That means that claims for the donation tax credit will be lower than in the previous year.

How our recommended funding model works

1. The goal is for registered charities to match the previous year's unrestricted donations on a month-by-month basis. This will help charities meet their operational expenses (e.g., rent) and not just wages.
 - a. A corollary is that fewer registered charities would need to draw on the wage subsidy program because the amount given to match donations by the government would be included in the comparison of total revenue this year over last year for the wage subsidy program. Note that if the charity has lost significant other income, such as facility rental income, their overall revenue may still decline enough to qualify for the wage subsidy program.
2. Eligibility is limited to those charities that have an actual (not projected) shortfall in unrestricted donations when compared to their unrestricted donations over the same month of the prior year. This excludes special fundraising or "capital campaign" programs that raised money for special purposes. Using only unrestricted donations limits government support to the operating expenses of the charity and hence its survivability. Charities would report monthly to the government's funding body their unrestricted donations for the previous month and for the same month in the prior year.
3. The government would give a grant to match the donations received up to the limit of the previous year's unrestricted donations. This arrangement leaves each charity as close as possible to the same condition as it was in the previous year.
4. The program would continue until some point at which the government determines the crisis to be over and the economy is functioning again, or a preset budget amount has been distributed.
5. Since this granting program is related only to operational viability, charities receiving this grant could also apply under Imagine Canada's other COVID-19 program-related purposes following the rules suggested by Imagine Canada.
6. The federal government could invite the provinces and territories to share in the cost of this program, as outlined by Cardus.

Rationale for Blanket Sector Support

Both Imagine Canada and Cardus propose support for the entire registered charity sector. CCCC would like to make special mention of the faith-based charitable subsector and its significant public benefit. We do not want the contribution of this sector overlooked.

Solid research by Statistics Canada and other Canadian and American academics from the fields of medicine, sociology, family health, and community viability (among many others) have published research in academic, peer-reviewed journals and books that conclusively demonstrates the significant public benefits of places of worship, not just to individuals, but to neighbourhoods, and the entire country.¹

A couple key points deserve mention:

- Recent Canadian research shows that for every dollar of tax concession given to places of worship (federal income tax, harmonized sales taxes, and municipal tax), the general public gets a return on investment of almost \$12. Cardus reported another Canadian study in their proposal that found that for every dollar in a place of worship's operating budget, the community receives more than \$4.50 of socioeconomic value.
- A study found in Ontario that non-members of churches are four times more likely to use a church's community programs than its members are. Programs such as marriage and parenting courses, counselling, and emergency support are very helpful to the surrounding communities and are needed more now than ever.
 - Since the COVID-19 lockdown began, worldwide domestic abuse cases have risen. Many countries, including Canada, have seen a surge in helpline calls and a spike in domestic incidents. Now is the time to support the entire charitable sector, which Cardus refers to as Canada's "shock absorber" during troubled times.

Current Situation with Donations

There are some preliminary indications that donations have declined during the crisis compared to the same weeks last year. The decline is likely due to both income insecurity and job losses. Donations might pick up as the government's support programs begin getting money out to employers and individuals, but at this point we simply don't know if they will. If donations do pick up, then our proposal would not need funding. However, income insecurity might linger, and given the essential role of charities within our social fabric, we must ensure their survival.

Using the faith-based charitable subsector as an example (because it is the one we are most familiar with) for other sectors, we have preliminary and somewhat anecdotal evidence about national donation trends from nine denominations.

- All denominations reported donations to their churches were down significantly the first week of social distancing, but their churches have since recovered to about 70-90% of last year. Since most churches operate at breakeven, at this level of donations they are experiencing financial stress.

¹ See the recently published (March 2020) summary of religion's consistent and dramatic public benefit to the whole of society in Pellowe, John, "The Public Benefit of 'Advancing Religion' as a Charitable Purpose: A Canadian Perspective", in *The Status of Religion and the Public Benefit in Charity Law*, ed. Barry W. Bussey (New York: Anthem Press, 2020) 41-77.

- Churches with electronic giving options are doing the best, while churches in large urban areas appear to be suffering more than average.
- To the extent possible, community programs and services (offered to everyone regardless of faith) are still being run, but virtually.
- The federal government's employer and employee financial assistance programs will be a welcome relief; however, many churches are struggling with maintaining mortgage payments and other operational costs because they have lost all their facility rental income, which can be a major part of a church's revenue.
- The denominations felt that the next four weeks will determine how significant the donation shortfall will be.

We also have the following information from other charities about their current experience with donations. These charities include: a men's shelter; several poverty-related charities; a long-term care facility for people with significant mental health challenges; an inner-city mission for youth, the displaced, and people with addictions; an overseas relief and development agency; and a mental health care facility. Here is a synopsis of how they are faring:

- Some are holding steady with donations, one has received double the donations from last year because donors recognize that the charity's beneficiaries are very vulnerable and needy at present, and several have seen significant decreases of up to 20%.
 - Decreases in donations are the result of lower church and corporate donations, and some reduced donations are from individual donors who are concerned about their own financial condition.
 - Several charities, though, report that individual donations at this time are holding relatively steady, but donors are advising them that they are under financial strain and might have to reduce or eliminate their financial support as the pandemic restrictions continue.
 - Overall, the charities feel they are faring not too badly in the first weeks of the pandemic.
- All the charities, however, are very concerned about the next two to four months. Most have one or more of their major fundraising activities in the spring, and these have all been cancelled. One is attempting to convert the fundraiser to an online event, but the others haven't determined how to do that yet. Most say that the spring fundraisers normally generate \$150,000-\$200,000, and they say that shortfall would be a very significant blow.

Thank you for considering this proposal. We believe it respects the taxpayer's dollar, rightly asks registered charities to make their best efforts at funding themselves, and it encourages the public to engage in the prosocial behaviour of generous giving.

Yours sincerely,



Rev. John Pellowe MBA DMin

CEO