

Toronto, March 23, 2020

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

Rt. Hon. Justin Trudeau, PC, MP
Prime Minister of Canada
House of Commons
Ottawa, ON K1A 0A6

Hon. Ahmed Hussen, PC, MP
Minister of Families, Children and Social
Development
House of Commons
Ottawa, ON K1A 0A6

Hon. Carla Qualtrough, PC, MP
Minister of Employment, Workforce
Development and Disability Inclusion
House of Commons
Ottawa, ON K1A 0A6

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

Hon. Diane Lebouthillier, PC, MP
Minister of National Revenue
House of Commons
Ottawa, ON K1A 0A6

Dear Prime Minister and Ministers:

I am writing to follow up on my letter of March 18 concerning the situation of the charities, nonprofits, and social enterprises during the ongoing Covid-19 crisis.

Since that letter, the economic and social effects of the crisis are becoming more clear. I wanted to provide you with an update regarding our sector, and to expand upon the recommendations made in our letter of March 18.

The Chief Economist for the Charitable and Nonprofit Sector has taken emerging data, and using reasonable assumptions, has projected significant disruption for our sector. **We estimate that registered charities will see financial losses this year of between \$9.5 billion and \$15.7 billion and layoffs of between 118,000 and 194,000 people.** The scale of loss will depend on how long and how strictly social distancing principles are implemented.

These figures do not include nonprofit service providers or social enterprises, for whom financial and employment data is not as readily available.

We would be happy to share our data and assumptions with you and your officials and provide a briefing.

While all sectors of the economy are facing unprecedented challenges, there are aspects of the crisis that are unique to us:

- **Most organizations do not carry significant cash reserves;** for those that do, those reserves for the most part represent less than three months of operating capital.
- **Most organizations are not able to access emergency capital** through lines of credit or bridging loans.
- **Fundraising, as well as fee-for-service programs, are at a virtual standstill,** with programs, major events and canvasses cancelled across the country.
- **Demand for charities' and nonprofits' services is countercyclical and as economic uncertainty and dislocation increase, organizations are facing increased demand for their essential services.** Particularly affected are food banks, social service agencies, shelters, and organizations assisting seniors.
- The sector relies on 14 million volunteers; **we are hearing of resource shortages for needed human and social service delivery operations** as many of these volunteers are self-isolating.
- **The cost of providing essential community services has increased,** particularly in the areas of health and safety (for staff, volunteers, and clients), protective equipment, and information technology (as those organizations that are able to do so shift to remote and distributed working in keeping with social distancing principles).

The result is a severe cash crisis that jeopardizes organizations' ability to provide vital services. Should community-based organizations be unable to provide these essential services, it will increase the strain on already-stretched public service providers. The government recognized this last week, providing emergency support to shelters assisting the homeless and those fleeing domestic abuse situations.

Circumstances continue to evolve rapidly, and in light of how dramatically the situation has changed in less than a week, we would like to clarify and prioritize the recommendations made to you on March 18.

As mentioned, **the immediate priority is to avert the looming liquidity crisis that threatens so much of our sector.** To that end, we recommend:

1. **An \$8 billion emergency stabilization fund,** comprised of at least 90% grants to organizations. The federal government should identify provincial, regional, or local partners as well as national federations that can distribute the grants in a fast and efficient manner, with parameters broad enough that decisions on eligibility can be made based on local conditions, needs, and priorities. The most immediate priorities would include emergency funding for community food programs, volunteer management, personal

protective equipment and emergency support for vulnerable people served by community organizations. There are also a number of existing mechanisms through which the loan component – for those organizations that can benefit from this form of assistance – could be delivered.

2. Under normal circumstances, the sector relies on 14 million volunteers and 2.4 million employees. With many volunteers following advice to self-isolate, paid staff will be under more strain to deliver services and programming that are also often facing growing demand. **The federal government must ensure that charities and nonprofits remain fully eligible for any further federal initiatives aimed at helping employers to retain staff. Depending on how any further measures are designed, this may mean finding alternate means of providing equivalent assistance.** (For example, charities and nonprofits would not benefit from measures related to corporate income tax.) We appreciated the inclusion of charities and nonprofits in the measures announced by the federal government earlier this week; as the employers of 2.4 million Canadians, we are confident that you will continue to recognize our vital role as job creators.

3. For organizations that have existing funding agreements with federal departments and agencies, there should be **automatic renewal of funding**, flexible conditions on how funds are used by the organization, and – in light of the situation in which organizations find themselves – reporting requirements should be kept to the bare minimum necessary to protect the public interest. Several departments have made very encouraging announcements already; all departments and agencies should be required to follow suit.

4. The **restrictions that limit charities and foundations to only providing funds to qualified donees should be temporarily lifted.** This would allow these organizations to form partnerships with nonprofits, social enterprises, private businesses, and community organizations to ensure that vital services are provided in the most effective manner in this time of crisis.

5. **We also recommend the creation of an ad hoc table** so that you and your senior officials can share advice and ideas with a cross-section of charity and nonprofit leaders from across Canada. This unprecedented situation means that we must remain flexible. Actions that seem adequate when announced may be overtaken by events. The only way that we as a country are going to get through this crisis is by maintaining open and frank dialogue. We can convene sector leadership on short notice.

On March 18, we had mooted the possibility of increasing the Charitable Donation Tax Credit, for donations made and claimed in 2020, to 75%. Given the struggle charities would face raising funds while trying to deliver basic services right now, and the fact that this measure would not benefit nonprofits, we are focussing on the more immediate measures above.

Thank you for your attention. Do not hesitate to contact us should you need further information.

Yours truly,

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

Bruce MacDonald
President & CEO

cc: Hon. Steven Guilbeault, PC, MP
Minister of Canadian Heritage

Hon. Patty Hajdu, PC, MP
Minister of Health

Hon. Deb Schulte, PC, MP
Minister of Seniors

Hon. Karina Gould, PC, MP
Minister of International Development

Hon. Carolyn Bennett, PC, MP
Minister of Crown-Indigenous Relations