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August 2021:

**Charity Effectiveness and Efficiency**

September 2021:

**Growth Analysis**

October 2021:

**Gifts-in-Kind Analysis**

November 2021:

**The Use of External Fundraisers in the Charitable Sector**



# THE IMPACT OF COVID ON THE CANADIAN CHARITABLE SECTOR

## *Preliminary Results*

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## EXECUTIVE SUMMARY

This Report presents analysis of the preliminary results of the global COVID health pandemic on the Canadian Charitable Sector.

The analysis reflects data on 29,860 charities that had filed financial reports to the Canada Revenue Agency for their financial period ended in 2019 and 2020 as of May 31, 2021. Excluded from the analysis are charities directly involved in the provision of Education and those with a Religious purpose.

While our analysis excludes charities that were still to file their 2020 financial report (charities have six months from their year-end to file), our universe includes approximately 62 per cent of eligible charities. We believe this is a good representative sample to draw valid preliminary conclusions.

We compare 2019 financial results with 2020 results to unveil the changes in principle Balance Sheet and Income Statement items of the charities. We initially look at all charities. We then break down the analysis by different year-end periods to examine the magnitude of the impact as the COVID crisis lengthened—charities with a later calendar year-end will have had a prolonged exposure to the crisis. We also look separately at small charities (those with Total Revenues of less than \$1 million) to see if there is a discernibly different impact on them. We then choose a representative Charity Category—Alleviating Poverty—to see if the overall results are consistent with an individual Category.

### Principle conclusions of the Report

- Cash positions for the Charities increased materially post COVID for all Charities across all groups. The increase was smaller for small Charities.
- There has been no material operational risk impact in terms of financial reporting as a result of the COVID crisis. This is the case for all Charities across all groups.
- Cash positions increased materially as the COVID crisis lengthened.
- The amount of Funding Revenue from the Federal Government to the Charities increased at a material rate. The magnitude of the increase grew as the COVID crisis lengthened. The percentage increase for small Charities was materially greater than for all Charities.
- Tax Receipted Gifts From Donors initially increased but then quickly flipped and declined as the COVID crisis lengthened. For small Charities, however, these Revenues have been sustained throughout the COVID crisis.
- Fundraising Revenue declined materially.
- Compensation Expense was initially unchanged but then declined materially as the COVID crisis lengthened.
- Total Expenditures on Charitable Activity declined materially as the COVID crisis lengthened. For Charities Alleviating Poverty, this segment of expenditures increased.

- We found evidence that inter-Charity activity (being funding provided by one Charity to another Charity) increased during the COVID crisis. It appears that Canada's Public and Private Foundations (representing 13 per cent of all Charities) did increase their level of giving as a response to the crisis.
- While we expect Charity management to act defensively in the face of a crisis of this magnitude, we ask if materially increasing cash positions is the correct response.
- We query why Charities became more defensive after the Federal Government implemented subsidies to the Charitable sector.
- We ask why the Charitable sector did not innovate more to confront the COVID crisis, but rather adopted a defensive policy of growing cash balances.
- We query why Charities demanded government subsidies when their operating risk was not deteriorating and they were accumulating Cash balances.
- We ask why Charities chose to reduce spending on their Charitable activities while maintaining Management and Administration Expenses at the same level, all while receiving increased Federal Government Funding.
- With the excessive level of Cash Balances in the Charitable sector today, are we to anticipate a surge in charitable activity in the near term as the COVID crisis subsides?

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## Our Vision

We will participate in a thriving Canadian philanthropic sector where the most impactful charities with the highest governance standards are celebrated and supported by donor capital.

## Our Mission

The Veritas Foundation aims to be Canada's authoritative source for participating in the country's charitable sector and evaluating its effectiveness and impact.



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