



THE IMPACT OF COVID ON THE CANADIAN CHARITABLE SECTOR

2020-2021 Results

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EXECUTIVE SUMMARY

This Report presents an analysis of the financial impact of the global COVID health pandemic on the Canadian Charitable Sector.

The analysis reflects data on 47,778 Charities that filed financial reports to the Canada Revenue Agency for their financial period ended in 2019 and 2020, and 21,210 Charities which have filed for their financial period ended 2021. Excluded from the analysis are Charities directly involved in the provision of Education and those with a Religious purpose.

We compare 2019 financial results with 2020 and 2021 results to unveil the changes in principle Balance Sheet and Income Statement items of the Charities. We present results for all Charities and for all Charities excluding the dominant Core Healthcare category.

We then break down the analysis by different year-end periods to examine the changes as the COVID crisis lengthened—Charities with a later calendar year-end will have experienced a prolonged exposure to the crisis. We also present the analysis for Small Charities (those with Total Revenues of less than \$1 million) to see if there is a different impact on them.

Principle conclusions of the Report

- Cash positions for the Charities increased materially post COVID for all Charities across all groups. The increase was greatest 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.
- The large Cash positions were maintained throughout the COVID period 2019 to 2021.
- The amount of Funding Revenue from the Federal Government to the Charities increased at a material rate, more than doubling over the reporting periods. The magnitude of the increase grew as the COVID crisis lengthened.
- Tax Receipted Gifts From Donors for all Charities initially held steady but then declined as the COVID crisis lengthened. For small Charities, however, these Revenues have been sustained throughout the COVID crisis.
- Fundraising Revenue declined materially as would be expected under social distancing regulations.
- Revenue from the Sale of Goods declined materially during the COVID crisis, as would be expected with the implementation of social distancing regulations.
- Compensation Expense was sustained throughout the COVID period of 2019 to 2021.
- Total Expenditures on Charitable Activity for all Charities declined in the first year of the COVID crisis, but bounced back in 2021. The decline in expenditures was greater for Small Charities than it was for the sector as a whole, as is to be expected.
- Management and Administration Expenses were well managed during the COVID crisis across all Charities.

- 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) increased their level of giving to other Charities 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 the continuing increase in Cash and Investment positions is too defensive given the increasing demand for charitable being reported.
- We query why Charities remained defensive after the Federal Government implemented subsidies to the Charitable sector that had a material impact on their financial position.
- We ask why the Charitable sector did not innovate more to confront the COVID crisis, but rather adopted a defensive policy of growing Cash and Investment balances.
- 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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September 2022: Balance Sheet Analysis of the
Canadian Charity Sector

October 2022: Activities Outside Canada by Canadian Charities

November 2022: The Veritas500 Report on
Canada's Fastest Growing Charities

December 2022: Employment Analysis of Canada's Charities



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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