



How has COVID affected funding of the Canadian charity sector? Part 2

By Mark Blumberg and Henri Pasha (June 9, 2021)

There have been many people wondering how COVID has affected Canadian charity sector. On March 24, 2021 we released our [first report](#) which looked at 1676 registered charities. Now in this report we have reviewed 11,821 registered charities.

The high level summary is that total revenue for these registered charities from 2019 to 2020 is down by 5% and total expenditures are down about 3%.

We expect to know more definitively what the impact of COVID was in 2020 in Canada at a later date when all registered charities have filed their T3010s. We expect that the final 2020 T3010s which will be due in June 2021 will be fully on the system by the beginning of 2022. So unfortunately with the lack of data in the charity sector, we will only know the impact of COVID on the sector about 2 years afterwards.

What can we do now? We recently received a disk from CRA with data for 2020 and 2019. We thought that the real impact of COVID was beginning to be felt around mid-March 2020. Therefore, a T3010 for March 31, 2020 is probably not going to reflect much of COVID. However, what if we took T3010 filings from August, September, October, November and December 2020 that had already been filed and inputted by CRA and compared to 2019 filings by the same organizations?

So in this second note we looked at approximately 11,821 (Previously 1676 in the first note) charities that filed their 2019 and 2020 T3010 forms with August to December year ends. A few obvious caveats. This represents 11,827 of 86,000 charities. It is quite tentative but we thought it is a beginning. Also, the impact of COVID in a December 2020 financial year-end may be greater than a August year-end and this is a mix of them all together.

1. Assets of the charities have decreased by 4%
2. Receipts for donations decreased by 16%
3. Non-receipted fundraising down by 32% – makes sense with lots of fundraising activities like gala dinners cancelled.
4. Sale of goods down by 26%
5. Total revenue from all sources combined down by 5% but expenses are down in many instances as well
6. Vehicle expenses down 32% which is not surprising
7. Office supplies down 18% – probably lots of savings in the office with no one there but also one-time expenditures to set up people at home with home offices which might be a one-time expense.
8. Occupancy costs, – 6% change – probably will see this drop further over the next few years as more switch to virtual or partially virtual workspaces but charities often have long-term leases and this will only change when the leases are up or subleased.
9. Compensation, which is a huge expenditure of charities, is only down 1%. This is vitally important as the charity sector employs millions of people.
10. Total expenditures before gifts to QDs – down 3%
11. So total revenue is down 5% from \$37.9 billion to \$36.117 billion for this group of charities – however expenditures before gifts to QDs were down 3%, from \$35,536,002,324 to \$34,295,861,490.

This subset reflects about 14% of the charities in Canada. In a couple of months, we may try to take another look when there is an even larger sample size.

www.CanadianCharityLaw.ca

As public trust in charities declines and potentially governments cut back to respond to deficits in 2021 or 2022 the story might change significantly. That is a concern but we are still trying to work out what 2020 was like.

Please review our caveats at the end about the reliability and usage of T3010 information.

Limitations and Caveats

There are a number of cautions in dealing with the information from the T3010. You can access on the CRA website directly information on each Canadian registered charity at:

<https://www.canada.ca/en/services/taxes/charities.html>

You can also find out more about registered charities on our CharityData.ca website.

Limitations and Caveats

1) The data in this note is based on the T3010 Registered Charity Information Return filings for some charities with fiscal year ends in 2019 and 2020. Although all charities are supposed to file their T3010 within 6 months of their fiscal year-end, some registered charities file their return late. In some cases, they do not file at all and then will lose their charitable status eventually. Depending on the dataset from CRA not every charity may have filed their T3010 or CRA may have received the T3010 but not yet inputted it.

2) Registered charities complete the T3010 and one person signs the form. The T3010 information is not independently verified by CRA when it is received by CRA or placed in the CRA database and available to the public.

3) Although an important legal document, the T3010 is often completed by volunteers or others who may have little understanding of the nuances of the *Income Tax Act*(Canada), who may have limited language skills, and who may not have easy access to the correct information and are often in a hurry to file the form to avoid concerns about deregistration. In the case of larger institutions, they may have accountants or finance staff and the form may, or may not, be more accurate. However, with larger charities when mistakes are made, they can sometimes be very large mistakes. It is a good idea especially for larger charities for different parts of the charity to review the T3010 closely such as finance, program staff, fundraising etc. as well as their legal and accounting advisors, although sometimes this does not happen.

4) The T3010s are filed with CRA and in many cases need to be coded by hand at CRA which can also introduce mistakes. In 2019 CRA allowed registered charities to file online but still few are using this facility. Before 2019 only a small number of T3010s have been filed with 2D bar code technology which eliminates most processing errors on CRA's part.

5) In some cases, those completing the T3010 for a charity are deliberately deceptive. For example, an organization knows that it has substantial fundraising or administrative expenses but

chooses to put them under charitable etc. Or an organization claims pharmaceuticals that it can purchase for \$50,000 are really worth \$50 million.

6) Don't rely on any of this information without checking with the charity and appropriate due diligence as required.

7) The T3010 is a tax form completed according to guidance provided by the CRA in a Guide (T-4033) and also various other CRA guidances and policies. The information inputted may not conform to Generally Accepted Accounting Principles (GAAP) and may not match what is in a charity's financial statement which should be prepared according to GAAP. You can obtain copies of financial statements, whether audited or not, on any registered charity by requesting the financial statements from CRA. These financial statements are filed with CRA, but not placed on the CRA website, and they sometimes add further important information. As well for Federal corporations, you can obtain the financial statements from soliciting corporations if they are filed with Corporations Canada.

8) The T3010 asks certain questions. Many important questions [are not asked on the T3010](#). Furthermore and most shockingly, [CRA is prohibited from releasing any information on the approximately 80,000 – 100,000 non-profits that are not registered charities and may of them file the T1044 Non-Profit Information Return](#).

9) Relying on the T3010 to make decisions on whether a charity is efficient, effective, or worthwhile to support is prone to failure. We have established a website at www.smartgiving.ca which discusses in detail questions donors may want to ask before donating to charity. Also we have prepared an article on [how much should a charity spend on overhead](#). As well Blumbergs has the CharityData.ca website with 16 years information on each registered charity, if it has been around that long.

This analysis was prepared as part of the Sean Blumberg Transparency Project.

Mark Blumberg is a lawyer at Blumberg Segal LLP in Toronto, Ontario. He works almost exclusively in the area of non-profit and charity law. Henri Pasha is a summer student working at Blumbergs. To find out more about legal services that Blumbergs provides to charities and non-profits please visit www.CanadianCharityLaw.ca, www.SmartGiving.ca www.CharityData.ca

This article is for information purposes only. It is not intended to be legal advice. You should not act or abstain from acting based upon such information without first consulting a legal professional.