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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 57th meeting of the Standing Committee on Finance.

I want to welcome our witnesses, both here in Ottawa and in Toronto. We have six organizations presenting to us today: CanadianCharityLaw.ca.; the Canadian Diabetes Association; Charity Intelligence Canada—I assume they're still on their way; Food Banks Canada; the Women's College Hospital Foundation; and Social Innovation Generation joining us from Toronto. Welcome to all of you.

You all have a maximum of five minutes for an opening statement, and we'll start in the order that I mentioned. Then we'll have questions from members of the committee.

We'll start with Mr. Blumberg, please.

Mr. Mark Blumberg (Lawyer and Partner, Blumberg Segal LLP, CanadianCharityLaw.ca): Thank you, Chair Rajotte, for this opportunity to present to the Standing Committee on Finance.

My name is Mark Blumberg. I'm a lawyer and partner at the law firm Blumberg Segal in Toronto. In addition to providing clients with legal advice relating to non-profit and charity law, I'm involved with educating charities on compliance issues. I have a couple of websites, canadiancharitylaw.ca and globalphilanthropy.ca. On those websites I try to put up information on how charities can comply with the law and also information on some of the things going on within the charitable sector.

I've provided two briefs. One was in January, but a few things have happened since then, so I added a few pages to it. If you're wondering if there are two briefs, the longer one is the most recent and up-to-date one.

The charity and non-profit sector in Canada plays a very important role. It provides some of the most important services and helps some of the most vulnerable in our country.

The revenue of the sector is \$192 billion. There are 2.2 million employees and 600,000 board members. There are lots of volunteers. And almost all Canadians donate to charities.

My presentation is not going to be about most of that. It's going to be about a few people who are hiding in the charity sector doing things they're not supposed to be doing. This is not so much a reflection on the charity sector as it is on those people with the schemes and transactions that they are involved with. I'm going to

discuss transparency and disclosure and the extent to which the Canada Revenue Agency can provide the public with information about non-profit organizations and charities.

What does transparency about non-profits and charities do? And why should we care?

It helps the public understand the work of a particular charity and it helps donors make informed decisions about whether to support a particular charity.

It does not necessarily guarantee that non-profit organizations and charities will be accountable or effective, but it makes it more likely that if there's transparency, they will be.

It can shine a light on certain non-profit organizations and charities, which will hopefully help to reduce the amount of abuse that goes on. People are less likely to abuse charities if they know they'll be more easily discovered.

A few hundred people are involved in most of the abuse of the charity sector. They get away with it, in large part, because the CRA is forbidden under section 241 of the Income Tax Act to provide any specific information about the abuse until many years later, once the charity has been officially revoked. For example, according to the CRA, over the last eight years there has been approximately \$5.7 billion in donation receipts issued as part of abusive gifting tax shelter schemes. Of the \$5.7 billion in receipts, according to CRA, approximately 1% of that figure was spent on charitable activities.

Over the weekend, the CRA revoked an organization. It's called Help Eliminate Disease and Addiction Canada. It issued \$113 million worth of inappropriate receipts. I've known for many years, just by looking at the T3010, that there's a problem with this charity, and now it's confirmed, I guess. But it's probably been about six years since CRA was aware of the problem. Now on Saturday they can tell everyone else, after they've revoked it, that they have revoked it.

Essentially, the non-profit and charity sector is divided into two. On the one hand, you have non-profit organizations. They file a two-page form, the T1044. Then you have registered charities. They file the longer T3010. The T3010 is available publicly, but the T1044 is not available publicly and one cannot access it. Basically, we know a lot about the 85,796 registered charities in Canada because the T3010 is available publicly.

Unlike some other countries, like the U.K., the CRA cannot publish an inquiry report on a charity that is still a registered charity. The CRA cannot notify people that a charity is delinquent in filing its return, as they do in the U.K. The CRA cannot let you know that a charity is involved in a \$600 million scheme to issue inflated receipts. Essentially, the CRA can put up the information from the T3010, which is provided by the charity, but it cannot warn the public if it has a huge concern about a particular charity.

• (1535)

The Chair: One minute.

Mr. Mark Blumberg: My recommendations are, first and foremost, that section 241 of the Income Tax Act should be amended so that CRA has the ability to disclose serious non-compliance with respect to the Income Tax Act.

Secondly, and perhaps more importantly—and we saw it with the Ornge air ambulance issue that's been covered a lot by *The Toronto Star*—when you have non-profits where there is no transparency and they work with a few charities, they can get away with doing transactions that are not helpful to the charity sector. Therefore, my second recommendation is that section 241 of the Income Tax Act be amended so that these non-profit organization returns, the T1044 that CRA has on an access database...that basically the information here, or large parts of it, be made available to the public.

Right now there are between 80,000 and 100,000 of these non-profits. We have no idea where they get their money from or how they spend their money. Some of them may have revenues of hundreds of millions or billions of dollars. I'm not entitled to know that information, and you aren't either. Hopefully, there will be some changes in that regard.

I guess the main purpose of this committee is to look at the issue of tax incentives. Hopefully, you'll look at transparency as well.

Thank you very much.

The Chair: Thank you very much, Mr. Blumberg.

We'll now hear from the Canadian Diabetes Association.

Mr. Michael Cloutier (President and Chief Executive Officer, Canadian Diabetes Association): Good afternoon, ladies and gentlemen of the committee.

On behalf of the Canadian Diabetes Association, I want to thank you for the opportunity to be here today.

I'd like to begin by giving you a brief background of our association. We are a national charity and membership association founded in 1953 by Dr. Charles Best, a co-discoverer of insulin.

We lead the fight against diabetes and are committed to improving the quality of life of individuals living with this disease while we work to find a cure. The association promotes the health of Canadians through diabetes education, services, advocacy, and research. In fact, we're investing \$6.8 million this year alone in research. In addition, our clinical practice guidelines are internationally recognized.

As one of the largest health charities in Canada, the opportunity to be here to offer our views concerning tax measures to encourage charitable giving is greatly appreciated, especially since today we

estimate that more than 9 million Canadians have diabetes or pre-diabetes, and by 2020, one in three will be living with this disease.

Canada's charitable sector is a critical economic driver. We have the second largest non-profit and voluntary sector in the world, which employs two million people and accounts for over \$75 billion, or almost 8% of the GDP, which is larger than the automotive or manufacturing industries.

As you have heard from others, conditions remain challenging within the charitable sector. The last recession saw declines in donations of approximately \$1 billion. While fundraising efforts were relatively stable until that time, worrying longer-term trends—such as a decline in the number of donors and their increasing age—now coupled with the significant impact of the recession, pose serious questions about the sustainability of the charitable sector in Canada.

The contributions of our sector are crucial to our economy and our social fabric. This is particularly so for health charities because we provide supplementary health programs and services to Canadians, which also serve to alleviate the cost pressures on a publicly funded health care system.

Without the proper funds we will not be able to continue to provide the services that Canadians rely upon, and our economy will decline. This is why it is crucial to determine ways to maximize the impact of charitable donations in Canada.

Given the serious challenges facing our sector, we need to consider the following in order to make the most of our civil assets: one, what social and economic contribution is the charitable sector best able to provide and how; and two, how can financial policy optimize these contributions.

The Canadian Diabetes Association supports the proposal from Imagine Canada for a stretch tax credit for charitable giving. We also note that this committee recommended this credit in 2009. An enhanced tax credit would enable us to expand the many needed services we deliver to people living with diabetes, their families, health care professionals, and the public.

The Parliamentary Budget Office carried out an impact and cost analysis of a proposed private member's bill that would have implemented a stretch tax credit on amounts exceeding \$200. They found that the median donation would rise by up to 26% within three years and there would be between 350,000 and 600,000 new donors. It also concluded that after three years the annual incremental cost to the treasury in foregone revenue would be between \$10 million and \$40 million.

While the current stretch tax credit proposal is more generous, it is not believed the annual cost would be significantly out of line with this estimate. Every dollar invested will yield a measurable return in new charitable giving, since the credit would only be activated when Canadians increased their charitable donations. In addition, we recommend introducing a higher charitable tax credit on all donations over \$500 to a single charity. Many charities actually lose money on donations of small amounts, typically those of \$20 or less. All charities, and those whom we serve, would benefit from encouraging citizens to give larger amounts to fewer charities. This would serve to keep administrative costs down for individual charities and affect a significant change in donation levels.

Again, on behalf of the Canadian Diabetes Association, thank you for the opportunity to be here today.

I'd be pleased to take any questions you might have at any point.

• (1540)

The Chair: Thank you very much, Mr. Cloutier.

We'll now hear from Charity Intelligence Canada, please.

Ms. Kate Bahen (Managing Director, Charity Intelligence Canada): Good afternoon. Thanks for the invitation to present here.

We at Charity Intelligence are a charity, but we are a different type of charity. We work for donors. We research and analyze Canadian charities; we are the 1-800 hotline that donors call. We do our best to answer their questions.

I'm assuming that the tax incentives package has been put before you with the assumption that it would result in more money going towards Canadian charities. I'd like to share with you three findings.

In all the surveying and polls on motivation about what makes a donor give, tax incentives consistently rank as the least important to a donor. Canadian donors give with their hearts, and they give out of compassion.

The second finding I'd like to share with you is that since 2002, the Muttart Foundation out of Edmonton has consistently used Ipsos Reid to survey Canadians. What their poll results report is that there is a widening trust gap between donors and charities. In the poll taken in 2010, 31% of Canadians said they had a lot of confidence in charities, and 69% of Canadians said they had some, little, or no trust in charities. This is the largest trust gap we've seen in Canada. Tax incentives do nothing to address this gap. Furthermore, in that most recent poll, 71% of Canadians said they would like more information about charities, which goes to Mark's points about transparency. Canadians want to know how charities spend the money and what results they achieve.

Thirdly, there was an extensive survey of 3,000 donors in the U.S. that we think is relevant for this. In that survey, 34% of donors said they would give more to charities if they had more information; they would give 12% more. In Canada, that would result in \$1.2 billion in additional charitable giving.

So as we would see it at Charity Intelligence, the incentive to get more money flowing to charities is completely within the charities' hands. They can take steps independently, without the need at this time for increasing tax legislation or tax incentives.

I'm reminded here of Newton's third law of physics: for every action, there is a reaction. What could the potential harm be of expanding tax incentives? Unfortunately, one outcome of the tax incentives is that they drive unsavoury characters into the charity sector.

We haven't shared this research with Canadians; it is not public, but I share it with you today. In May 2010 we began an extensive research project on Canada's 100 largest charities. I hope you deal with this information with all the sensitivity that it is owed. Of the 100 largest charities in Canada, we found two that we strongly suspect are tax fraud schemes.

The research team at Charity Intelligence was startled by this finding. We had always assumed that the tax scam charities were small, bucket-shop operations operating beneath the radar. We never expected to find, in the 100 largest charities in Canada—in the elite—two tax schemes.

If one were to extrapolate from this tiny sample size, that would represent 2% of Canada's 85,700 charities as bad apples, or, in other words 1,715. I would concur completely with Mark's comments that the CRA needs a lot more resources and a lot more help protecting our charitable sector.

These two charities in 2009 received \$370 million in donations. If you were to extrapolate that....

I'm sorry, that would be the equivalent; that is what we estimate tax fraud right now is costing Canada, Canadian taxpayers, and the charity sector.

So before you legislate, I would just ask for a second sober thought. Are tax incentives going to be effective? What is the benefit you would anticipate to flow into the sector? What are going to be the consequences? And what steps can you give the CRA that could possibly mitigate the negative impact of having more of these tax incentive scams corrupting Canada's very precious charitable sector?

• (1545)

The Chair: Thank you very much for your presentation.

We'll now hear from Food Banks Canada, please.

Mr. Shawn Pegg (Director, Policy and Research, Food Banks Canada): Good afternoon.

Thank you very much for the opportunity to present before you today.

It's an auspicious time to be here, given that today is the second day of Hunger Awareness Week. I'd like to take a moment to thank the members here today who will be fasting tomorrow to bring awareness to the issue of hunger in our country. Thank you very much.

In my presentation I'd like to give you some information on Food Banks Canada and on the current state of food bank use in the country. Then I'll review our proposal to the committee.

Food Banks Canada is the national organization representing and supporting food banks across the country. Our dual mission is to help food banks meet the short-term need for food assistance and also to find policy solutions to reduce the need for food banks in Canada.

There are more than 800 food banks working in partnership with over 2,900 food programs in every province and territory. These organizations in any given month provide groceries to nearly 900,000 people. They also serve more than three million meals per month. In 2011, food bank use was 26% higher than it was before the recession.

Food banks have been helping more than 700,000 people per month for the better part of the past decade. Of those helped, 38% are children and youth, and 50% of households receiving food are families with children. While half of households receiving food are on social assistance, one in five receives the majority of its income from employment, and 7% of those helped are seniors.

Though Canadians have been incredibly generous in their support of food banks since the economic downturn, the network has struggled to meet the need for their services. In March of last year, 35% of food banks actually ran out of food, and more than half gave less to each household than they had in the past in order to stretch their resources.

As I said, individual Canadians, service clubs and other groups, small businesses, and large corporations are generous supporters of food banks. However, as generous as these donors are, it's not enough to meet the need. We're very happy to see this committee focusing on incentives to charitable giving. We're positively disposed to several of the policy changes being considered by the committee, particularly the stretch tax credit put forward by Imagine Canada.

What I'd like to focus on in the rest of my time is our written brief, which outlines a plan for a charitable food tax credit that we believe will result in a significant influx of food to food banks. Specifically, the brief recommends changes to the Income Tax Act that will create an incentive for food manufacturers to donate from their inventory. The charitable food tax credit, very simply, would result in a reduction of the amount of federal tax owed by companies that donate food to food banks.

We're a member-driven organization, and this is a proposal that originated from our member food banks. You can see from our brief that several of our current manufacturing donors support the proposal. We've worked with the polling firm Angus Reid to gauge support for the idea and have found that 83% of Canadians support tax incentives for manufacturers that donate food to food banks.

Finally, we've seen similar policies succeed in increasing donations of food at the federal and state levels in the United States. This leads us to believe that our proposal, whose cost to the federal government we estimate as a maximum of \$15 million per year, will lead to a substantial rise in the amount of food available through food banks to the Canadians who so desperately need it.

Thank you.

• (1550)

The Chair: Thank you very much, Mr. Pegg.

We'll now hear from the Women's College Hospital Foundation, please.

Ms. Mary Dodd (Vice-President, Finance and Operations, Women's College Hospital Foundation): Good afternoon. *Bonjour.* My name is Mary Dodd. I'm an accountant. I'm the chief financial officer for Women's College Hospital Foundation in Toronto.

I'm honoured to be asked to appear before this committee, and I want to take the opportunity to not only speak on behalf of myself and Women's College Hospital Foundation, but also on behalf of the hospital foundations that are associated with the Toronto Academic Health Sciences Network, or TAHSN. TAHSN is comprised of the University of Toronto and its affiliated academic hospitals, each of which holds national and international standing as leaders in their particular fields.

The hospital names will be familiar to you and include Baycrest, Holland Bloorview, Sunnybrook Health Sciences Centre, St. Michael's, Mount Sinai, the Centre for Addiction and Mental Health, Toronto General and Western, Princess Margaret, SickKids, and Women's College Hospital. Collectively we receive 14% of the philanthropic dollars given to hospital foundations in Canada.

I met with my hospital foundation colleagues in February to discuss the goals of this committee's study and to come to a consensus of opinion regarding tax incentives to promote charitable giving. As a group, we're very supportive of the stretch tax credit that's been advocated by Imagine Canada and others. We believe it will help to increase participation in giving levels and be a benefit on a national basis. We strongly encourage the committee to recommend its adoption.

Yet despite our support, we do not expect that the stretch tax credit will yield significant additional dollars for our particular foundations. The reason for this is that the majority of fundraising at the hospital and university level is done at what's called the major giving level. These are gifts from donors in excess of \$10,000. In many instances, these gifts represent a transfer of capital rather than income from the donor. It's these gifts of capital that enable new hospitals to be built, life saving technology and equipment to be purchased, and innovative research to be undertaken that will improve health care outcomes for patients and change how we deliver care in the future.

To support this type of transformational giving, we advocate that the capital gains exemption currently in place for publicly traded shares be expanded to encompass gifts of real estate and private shares. Implementation in 2006 of the capital gains exemption on publicly traded stock had an immediate and lasting positive impact on our foundations and the sector as a whole.

We believe that expanding the exemption to real estate and to private shares will have the same impact. In fact, given the large anticipated generational wealth transfer, it will likely have an even greater impact. It may also enable individuals to make transformational gifts in their lifetime rather than as a consequence of estate planning.

We recognize that clear rules need to be established to govern the valuation and transparency of these transactions, but we know it can be achieved. Hand in glove with extending the capital gains exemption would be an undertaking to remove the restriction that charitable donations can only be claimed in one year up to 75% of net income. Why have a provision in the Income Tax Act that restricts extraordinary generosity?

We believe our government has a very important role to continue to promote philanthropy as a core Canadian value. The ability of legislation to increase charitable giving has been demonstrated in the past with the implementation of the capital gains exemption on publicly traded shares. The government's ability to influence charitable giving can be further enhanced with the addition of tax incentives such as the stretch tax credit and the capital gains exemption expansion.

Thank you very much.

• (1555)

The Chair: Thank you very much, Ms. Dodd, for your presentation.

We'll now go to Social Innovation Generation in Toronto.

Ms. Hewitt, please begin your five-minute opening statement.

Mrs. Allyson Hewitt (Director, Social Entrepreneurship, Social Innovation Generation): Thank you so much for the opportunity to address the committee. I'm particularly grateful for you giving me the opportunity to speak from Toronto.

My name is Allyson Hewitt and I work at a program called SIG at MaRS. MaRS is an innovation centre in downtown Toronto, and SIG is a national collaborative designed to create a culture of continuous social innovation.

One area of focus for our work, both at MaRS and at SIG, is trying to determine how best to finance social purpose work in our country through the creation of a centre for impact investing. This came out of the work of the Canadian Task Force on Social Finance.

The Canadian Task Force on Social Finance issued its seven recommendations for mobilizing private capital for public good in December of 2010 and a progress report in December 2011. The task force consisted of business and philanthropic leaders, including the Right Honourable Paul Martin, Stanley Hartt, Sam Duboc, and Tim Brodhead, and was chaired by MaRS CEO Ilse Treumicht. Of the seven recommendations from the task force, three may be particularly relevant for our discussion today.

One focuses on mobilizing capital through the creation of impact investing funds. The second concerns modernizing legal and regulatory frameworks, particularly concerned with CRA and removing the restrictions against social enterprise, looking instead at a destinations test. The next one is about enabling private

investments via tax incentives, and we're hoping to see the establishment of a multisectoral working group to examine specific proposals.

At SIG we recognize that grants and contributions, along with fundraising, are essential elements of a healthy society. We encourage the committee in its efforts to make that process less burdensome for all involved. We also contend that the extent of the problems of the 21st century require us to think about additional ways to leverage financing to support social purpose work and to tackle these complex challenges.

Many not-for-profit organizations and charities are now run by social entrepreneurs who are seeking new ways of creating social value beyond the traditional fundraised dollars in, social services out. They are joined by their colleagues around the world and the enabling systems that have been created.

In Australia, the Senate recently encouraged the government to incent investments in non-profits through tax measures. In the U.K., they have built on their leadership in this area by establishing Big Society Capital, a £600 million fund from unclaimed bank assets, and have mobilized additional government support. Many provinces, from British Columbia to Nova Scotia, are exploring new ways to enable and support social enterprises through enabling legislation.

Again, we applaud the work of the committee in seeking to modernize charitable giving, and we also encourage you to consider looking at other jurisdictions, both inside and outside of Canada, to mobilize more private capital for public good, and ideally to find a made-in-Canada solution to finance the efforts of Canadians seeking to create and enhance social impact.

Thank you.

• (1600)

The Chair: Thank you very much for your presentation.

We'll now go to members' questions. We'll start with Ms. Nash for a five-minute round.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Mr. Chair.

Thank you to all of the witnesses for being here today at the finance committee. They were very interesting presentations. There was a bit of diversity in your presentations today, which is always welcome.

A couple of the witnesses have spoken about oversight of Canada's charities. There are many changes the government is proposing on this in the 2012 budget and in its budget implementation act, specifically regarding the political activities of charities.

I'd like you to speak a bit about advocacy and public policy work that charities do. For example, I know the food banks talk about hunger and about public policy. Is advocacy and involvement in the public debate important to charities?

The Chair: To whom would you like to address that?

Ms. Peggy Nash: We'll start with Mr. Peggy.

The Chair: Mr. Pegg.

Mr. Shawn Pegg: Thanks very much for the question.

The response is quite simple. It's absolutely crucial for our network. As I've said, we're a member-driven organization, and most of the food banks that are on the front lines are spending their time raising food and cash to meet a very basic need. They don't have time to be doing a ton of advocacy work. They look to their provincial and federal associations to do that for them. We see it as contributing to absolutely a social good. I'm not sure if that answers your question.

Ms. Peggy Nash: Thank you.

Anyone else? I don't know if any of the other charities here engage in political advocacy. New powers will be granted to the minister of national revenue, who can suspend charitable tax privileges, and it's up to the minister to make this decision.

The question I ask, and it's to any of the witnesses here today, is to delineate the difference between political advocacy and expressing public policy views that might reflect the expertise that members of a charitable organization may have. The CRA is now going to monitor a charity's political activities, and they're getting \$8 million for this purpose.

Is this money well spent, and do you think that currently there is a concern with the political or advocacy activities of charities in Canada?

Mr. Mark Blumberg: I'll try to answer that, just to avoid others having to.

I think Canadian charities are allowed to be involved in political activities. There are CRA rules on what's permissible. It's very important that charities be engaged in political activities. Also, the budget, although it had some bark about the issue, didn't really have much bite. I don't think there are any changes in this last budget that are going to have any negative impact on charities being involved with political activities.

There may be some people who want to give the impression that it's not appropriate for charities to be involved in political activities, and I would reject that. The fact is that money has been allocated to CRA. New powers have been given to them. My anticipation is that CRA will do more work in the area of educating charities, but there is no real change. CRA has always been monitoring the political activities of charities. If charities do partisan political activities, that's forbidden.

What I would anticipate is that after two or three years of CRA's doing more information sessions on political activities, you will have more Canadian charities aware that they are allowed to do it, and there will probably be more doing it. However, charities do need to answer the questions on the T3010 more clearly and appropriately. Right now, only 500 are saying they do political...which is, in my mind, a very low estimate of the number actually doing it. In part, it just comes from the fact that it's one line on a nine-page form and they skip over it, or they don't know what "political" is.

But there will be more questions on the T3010, and it will go back to where it was in 2002—there will be more questions, people will

answer, therefore it will be more clear to them what political activities are, and we'll have more compliance in that area.

• (1605)

Ms. Peggy Nash: Just one follow-up question. I have a few seconds.

The Chair: Well, you have about 10 seconds. We can leave it for another round.

Ms. Peggy Nash: Okay, I'll come back to that.

Thank you for your answer.

The Chair: Thank you, Ms. Nash.

We'll go to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

I'm going to continue on in that vein and allow Ms. Bahen to respond to that question.

Ms. Kate Bahen: I think that debate matters. I think what Canada has to be very proud of is its free debate. I believe that organizations, whether for-profit or not-for-profit, should be engaged in that debate. The donors we work with do support political parties, do support not-for-profit organizations that may be involved in advocacy, and I believe that is fine. I think that for every cause you have, there's going to be a donor pool. As long as those donations are voluntarily given, I would like to see a level playing field, where the fact that one would support one type of organization that is political, let's say a political party, shouldn't, in my opinion, receive preferential tax treatment to supporting Greenpeace.

Mrs. Shelly Glover: I think the question was a bit different, but thank you for your answer.

I want to ask Mr. Blumberg to continue addressing some of the suggestions from his submission. I know you ran out of time, Mr. Blumberg, but there were some other suggestions that I thought were very interesting, and I'm hopeful they will make it into our process of examination for report. The pages aren't numbered, unfortunately, but number two in your other suggestion area talks about requiring charities to demonstrate, like in the U.K., that they are active and actually have a public benefit. Please explain what you mean there.

Mr. Mark Blumberg: In the U.K., since 2006 when they had their new Charities Act passed, one of the things it did was say that every charity every year would have to demonstrate that it had a public benefit. Currently, the rule is that if you're applying for charity status, for the first three heads of charity, which is advancing religion, or advancing education, or relief of poverty, you don't actually have to show that you have any public benefit. Only with the fourth head of charity, which is other purposes beneficial to the community that the law regards as charitable, do you have to demonstrate that there is a public benefit.

Mrs. Shelly Glover: How do you do that? How do you demonstrate that?

Mr. Mark Blumberg: How do you demonstrate that? Basically, you would be showing how you are helping a sufficient segment of the public with your activities, and for most charities it's actually very simple to demonstrate it. If you're a food bank and you're handing out food to people who can't afford it, we can all understand how that would be beneficial to a segment of the public, and that's not really that hard.

Mrs. Shelly Glover: So it's no different in the U.K. than here when our charities are expected to report on their activities.

Mr. Mark Blumberg: No. The only difference is there you actually have to show that you have a public benefit, whereas here you don't. Now, I'm saying that was just when you applied to be a registered charity. But on an ongoing basis there's no requirement to have a public benefit. Basically, I think the U.K. model is wonderful in that it encourages charities to actually tell the public every year in their statements, "This is what we do that's beneficial to the public."

Mrs. Shelly Glover: I see. You're right, when you apply for charitable status here, of course, you have to meet the criteria, but I understand what you're saying, it's on an annual basis.

I'm a bit enthralled by the two suggestions that you've made. There's the ability to disclose non-compliance to Canadians, which I agree with you, and I think it might address what Ms. Bahen said about the 69% of Canadians who have some distrust for charities, and there's also the non-profit organizations, who would have to take the tax form, and once it's filled out, it becomes available publicly. I would like the charities to tell me whether they agree with your suggestions, and if not, why not.

Could the Food Banks and Ms. Dodd and Mr. Cloutier tell me, do you agree with those suggestions, and if not, why not?

The Chair: There's about one minute, so maybe you could be very brief in your comments.

Mr. Pegg.

Mr. Shawn Pegg: I would certainly say it's not going to hurt to have greater attention to existing oversight of charities in Canada. You want to have the resources in place—

Mrs. Shelly Glover: I only have a minute, so all I want is this. Do you agree with the suggestions? Yes or no.

Mr. Shawn Pegg: I can't do yes or no.

Mrs. Shelly Glover: Can you do yes or no?

Mr. Michael Cloutier: No, but we certainly support increased transparency.

Ms. Mary Dodd: And we support increased disclosure as long as it's a level playing field and all participate equally.

• (1610)

Mrs. Shelly Glover: Would you do me a favour? Look at the suggestions. If your organization decides this is actually something you think would be in the interest of this committee to suggest in its report, please let us know.

Thank you.

The Chair: Thank you, Ms. Glover.

We'll go to Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much.

Ms. Bahen, you said that your organization did a survey of donors to determine their reason for giving. And when they were asked the question, "Why did you give to a charity, was it the tax break or from the goodness of your heart?", how was that phrased?

Ms. Kate Bahen: We didn't do the surveys. The submission has the resources, so we've pulled together all the different surveys that we've read and found.

Hon. Scott Brison: Has it occurred to you that if you ask somebody, a philanthropist, "Why did you give \$100,000 to a local hospital foundation?", they may say, "It was from the goodness of my heart", and they probably would not say it's because of the tax break?

Ms. Kate Bahen: Absolutely. When they ask donors, there are many reasons for why people give. Maybe it was a hospital that helped them, but at the bottom of the list every single time is tax incentives.

Hon. Scott Brison: But what I'm saying is, if you ask donors, even though tax incentives may play a pivotal role in their ultimate decision to give, they're highly unlikely to say that this is the reason they're giving. You would agree with that. From a psychological perspective, very few of us will impugn our motivations to that extent.

My other question is this. You've said that your studies have found that two of Canada's top 100 charities are effectively conducting fraudulent activity. Which ones?

Ms. Kate Bahen: They were Hedac and Malvern Rouge, which was a hijack situation, where individuals come to a local charity... and it went from \$140,000 in donations one year to—I haven't got the number—about \$60 million the next year. It's a hijack situation.

Hon. Scott Brison: So there have been charges.

Ms. Kate Bahen: Both of them have had their charitable status revoked. I do not believe the individuals who were running this pyramid scheme have been charged. It will be like Whack-a-Mole, and we'll see the individuals pop up somewhere else in the near future.

Hon. Scott Brison: In terms of the impact of, for instance, the changes in the capital gains tax for gifts of publicly listed securities, we've heard from almost every charitable organization that it has had a significant impact—that is, a tax change—and the groups who actually raise money for hospital foundations, who raise money for the cancer foundation, who raise money for universities, are saying that it has had a significant effect, as we heard from Ms. Dodd.

Furthermore, it's important to recognize that in terms of actual tax expenditure costs, assuming that the disposition of the stock or asset would not take place otherwise, there is actually no cost to the taxpayer. I think that's important to realize as well, because the chances are that they may just hold on to the stock, if they didn't in fact donate it at the time.

Mr. Pegg, has the demand for food banks in Canada risen significantly in recent years?

Mr. Shawn Pegg: It has. It's up. In 2011 it was 26% higher than it was in 2008.

Hon. Scott Brison: In my riding, I can tell you—the Wolfville food bank as an example—the demand for the Wolfville food bank has doubled in the last couple of years, so I'm hearing that as well.

This change will have a significant impact on your capacity to get donations of food for the families who depend on your food bank.

Mr. Shawn Pegg: I would say the tendency, I believe, is for donors to move their money into more front-line services during bad economic periods, so food banks have not been closing up shop because they don't have any food. Donations to food banks, from what I'm hearing, have actually increased since the economic downturn. They just haven't kept up with increasing demand.

The Chair: You have 45 seconds.

Hon. Scott Brison: And this tax change ought to make—

Mr. Shawn Pegg: We believe that it would help, yes.

Hon. Scott Brison: The issue of advocacy is an important one. Clearly, we want organizations to be focused on the charitable sector, the charitable work they undertake, but it's also important to realize that charitable organizations are run by citizens who have opinions on public policy issues.

I hope that in our deliberations, colleagues, we consider that, for instance, somebody who runs a food bank or a group of food banks probably understands issues around poverty and income inequality and the issues around front-line services. Somebody involved in a hospital foundation probably has some opinions on health care. This isn't political—

•(1615)

The Chair: Thank you. We'll leave that as a statement, Mr. Brison.

Hon. Scott Brison: Thank you very much.

The Chair: Mr. Hoback, go ahead, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

I welcome the witnesses here today. It's great. Actually, it's very enlightening. There's been some interesting information here.

One of the things we're trying to do here is increase charitable donations. Ms. Bahen, you brought up that 31% versus 69%, and it floors me a little bit that transparency is such a major issue among Canadians right now in looking at whether they're going to donate to a specific charity or not.

I'm just kind of curious. There are a couple of things that you talked about that have come out of some of the questioning. One is the governance. You talked about these two out of a hundred that were hijacked. Do you think we have proper governance models

around our charities to prevent things like hijacking from happening?

Ms. Kate Bahen: No. I think the CRA needs more resources. I'm taken aback by the size of—

Mr. Randy Hoback: It's very big.

Ms. Kate Bahen: It is, and I think it's growing. I think the landscape has changed. Just by the nature of the operations, it's difficult to quantify. You don't know how many are out there, so I don't have any hard facts. I would suspect it's a growing problem, and it's going to need tougher action to crack down on.

Mr. Randy Hoback: Mr. Blumberg, you look like you want to add to that.

Mr. Mark Blumberg: Yes, sure. Since 2007, CRA's top two priorities have been to end abusive charity gifting tax schemes and fraudulent receipting.

In 2006, \$1.3 billion worth of receipts were issued that were part of just the abusive tax schemes. CRA has worked very hard to try to knock out the schemes. They've deregistered probably about 30 charities that have been involved with these schemes, and the number is now down to \$300 million a year. So it went from \$1.3 billion to \$300 million, which is, as far as I'm concerned, not good enough, but it's certainly heading in the right direction. I think it's important that those types of schemes be eradicated, because it obviously is not going to enhance the public's trust in charities if they see situations like that.

Mr. Randy Hoback: I also remember, when you were here in January in front of the finance committee, that you talked about charities and the transparency and that whole end of it, to ensure that if a person like me is going to give to a charity, I know exactly what the charity is and what it does. I need transparency. I need to be able to look—whether it's on the Internet or somewhere else—and see that transparency.

I believe we've addressed some of those issues in the budget. I believe the Minister of Finance has done a very good job with getting us started and going down that road in increasing transparency. It's very important.

What I find frustrating and what I will look for your comment on is.... We're going to increase the transparency, we're going to look at increasing the rules in the budget, but we're going to see our opposition parties vote against that. Do you think that's appropriate for opposition parties to stay secretive, or do you think they want some transparency also?

Mr. Mark Blumberg: I think the opposition parties may have some questions about it being an omnibus bill or something. I don't understand all of those issues. I can say that I think if it was just up or down on the charity transparency things, everyone would vote for the budget. I think there's more to it than that.

In 2011 there were some very good transparency pieces put forward by the government. There was the ineligible individuals idea. If someone abuses a charity, even if they're in another charity and not abusing it, they could be asked to leave that charity. I think that's important, because there are some people—maybe none in this room—who control 10, 20, 50, 100 charities themselves. It doesn't help to get rid of five or 10 when they control 100. There are some issues like that where there are some concerns. Some good ideas were brought forward. I am hopeful that those will slowly be implemented and we will see some improvement in some of those things.

I want to emphasize that we're talking about a few hundred people doing this sort of abusive behaviour, and yet you have 15 million or so volunteers with charities. We're just talking about 500 people doing this bad stuff.

The Chair: You have one minute.

Mr. Randy Hoback: Going to the charities themselves, how do you get above...?

Maybe the food bank, you've got a great brand, a great name, as far as people being comfortable donating to you, whether it's at a hockey game where we drop off a bag of food.... They do a lot of creative ideas, not just for donating money but donating at events. How do you deal, in your industry of charitable organizations, with organizations that are unscrupulous? How does that make you feel? What impact does that have on your organization? Does it create doubts for you? Obviously the polling is showing that.

• (1620)

Mr. Shawn Pegg: It makes it very important that you are out there in the public eye. You need the time and the resources to do that. That's the biggest thing we're trying to do. For individual food banks, you need to have community members on your boards. You need to have them involved. There are a lot of things that charities need to do that governments have no role in, when it comes to putting yourself above, as you said, a so-called unscrupulous charity.

Mr. Randy Hoback: Ms. Dodd, your organization—

The Chair: Thank you, Mr. Hoback. That's five minutes and 10 seconds.

[Translation]

Mr. Caron, you have the floor for five minutes.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much. I also thank our witnesses for their presentations.

Most of my questions go to Mr. Blumberg and Ms. Bahen, whose presentations were really interesting. I say that with no reflection on the interesting presentations given by the other witnesses.

We have heard a lot about the stretch tax credit and about all the other avenues that people are looking at at the moment. I found Ms. Bahen's and Mr. Blumberg's comments particularly interesting

because they dealt with the legal aspects of the things that are currently concerning us.

Ms. Bahen, we hear a lot about the Canada Revenue Agency and its closer oversight of possible tax scams or charity scams. Do you know how many Canada Revenue Agency employees work specifically in the area of the legitimacy of charitable organizations?

Ms. Kate Bahen: No.

Mr. Guy Caron: So you have no idea about the budget allocated to it?

Ms. Kate Bahen: No.

Mr. Guy Caron: You mentioned that two of Canada's top 100 charities have been found guilty of tax fraud. You say that the people involved have disappeared, or, in a lot of cases, they disappear and then pop up somewhere else. Is there no way to identify these people and bring them to justice?

[English]

Ms. Kate Bahen: What I've seen the courts and the CRA do—and I'm not an expert—is come down on the individual donors, the donors who were involved in funding these tax schemes. In our experience, and as I provided in our submission, we are a tiny charity. We're unknown. We have worked with two donors who were approached by a trusted adviser; one was an accountant, one was an executive director. We ran the paperwork through expert legal advice. In each situation, it came back clean and legitimate.

What we have seen the CRA do, which is completely appropriate, is this: where donors, however innocent or unsuspecting they may be, are unwitting participants in a tax scheme, they are assessed the full amount of what was tax receipted plus interest.

The situation we worked on was an elderly lady who was asked to make a donation of \$1.1 million and a tax receipt was going to be issued for \$5.5 million. These are highly sophisticated schemes that are far and beyond what a reasonable man on the street could possibly research on a charity, and there would be very financially onerous consequences.

Are the people running the charities—I don't know, maybe Mark knows—ever brought to accountability? Are they ever brought to trial?

Mr. Mark Blumberg: People don't go to jail in Canada for abusing charities, unfortunately.

On my website, globalphilanthropy.ca, I've put a list of all the charities that have been revoked in the last five years, as well as the names of all the directors of those charities, as well as the reasons for their revocation, if they're provided by CRA. I've put up also copies of the letters that CRA sent to those charities once they've been revoked. But it's a little bit late, once the charity's been revoked, many years later to put up this stuff.

One of my suggestions is to make ready use of police forces to investigate abuse of charities and establish a dedicated police unit that focuses on complicated schemes involving charity fraud. I think that is something that's needed. We have it with the bribery issue for foreign corruption.

I think, quite frankly, it's an embarrassment what's going on in Canada. If you look at the U.S. media, they're covering the Canadian charity situation here more than the Canadian media is covering some of these abuse situations. It's having a negative impact on other countries, because they're getting involved in these schemes that are based here in Canada.

[Translation]

Mr. Guy Caron: I would like briefly to go back to the discussion on advocacy activities.

Mr. Blumberg, as you know, the budget implementation bill has specific provisions on advocacy activities by charitable organizations. Some of them are under the impression that the intention in this case is to limit not their advocacy, but their politics.

Is it your impression that those fears are justified and that the provisions could actually be used for those purposes by any given government?

• (1625)

[English]

Mr. Mark Blumberg: I think people, parliamentarians, senators, and cabinet ministers should be more careful when they talk about the charity sector, when they make allegations and things like that. I think that would probably be more helpful than more tax incentives, in terms of encouraging public trust in charities.

The Chair: Thank you. *Merci*.

We will go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Thank you all for appearing here today.

I want to address my first question to Mr. Blumberg.

I'm looking at an article from last year that appeared in the NDP's holy grail, *The Toronto Star*. There was an audit conducted by CRA between the years 2005 and 2009, where \$15 million was raised by the International Relief Fund for the Afflicted and Needy Canada that was sent overseas to be used for the creation of promotional videos that "...demonize Israel, characterize the Arab-Israeli conflict as a religious war, appeal for all Arab and Muslim nations to join in the struggle against Israel and glorify martyrdom".

How on earth would an organization in this country get a charitable designation to conduct such activities?

Mr. Mark Blumberg: I think what you'd have to do is look at the charity application. I doubt it had any of that stuff in it. That's the first thing. So I don't think you should blame CRA, because 20 years earlier someone put in a nice application saying they were going to help starving people abroad.

The second thing is, I find it interesting that this group provided more than \$15 million to what is indirectly a listed terrorist organization, and because CRA has revoked them as a registered charity, we actually know less about them now than if CRA hadn't revoked them. It would have been better if they hadn't revoked them, because then at least we could see how much money is going in and how much money is flowing to the terrorists. But right now they've been revoked, and because they're a non-profit and not a registered charity, we have no right to know how much money is coming in, and they're continuing on. I think it's an interesting issue for you guys to think about.

Mr. Mark Adler: CRA can still go in and audit their activities as a non-profit, right?

Mr. Mark Blumberg: They can audit them as a non-profit. If they're very profitable, they could turn them into a non-profit and they could have to pay a little tax, yes. That's hardly much of a situation. I think the better thing would be that non-profits that have to file these T1044s...that those become public, and people can at least get an idea of how much money is going in and what it's being spent on.

Mr. Mark Adler: Presumably, this isn't the only organization in this country doing these kinds of things. What's the solution? If we strip them, as you say, of their charitable status and move them into a category where they become less transparent and less accountable.... What's the solution?

Mr. Mark Blumberg: The solution in part is some of those things. It would be important to have more transparency, so you have it across the board in the non-profit area, instead of making it.... It's not just IRFAN. With Ornge and other things, people are deliberately setting up structures.

In the case of Ornge, they spent \$11 million on legal fees to set up structures that largely deal with lack of transparency. Have non-profits involved to have the transparency less in that case....

I would suggest to you to level the playing field a bit there. Have charities have a lot of transparency, as they do—maybe even more—but have non-profits have it too.

I would also suggest that charities that do foreign activities need to be more careful in how they're doing it. CRA has some good rules on direction and control for foreign activities.

IRFAN wasn't following those rules. I would suggest that there be more education in that area for charities, so they understand it.

The Chair: You have one minute.

Mr. Mark Adler: What about foreign government money, like Saudi money or Kuwaiti money, supporting domestic charitable organizations in this country?

• (1630)

Mr. Mark Blumberg: Well, money comes from abroad. I believe CIDA spends a lot of money doing stuff around the world. Some people don't like some of the things that CIDA supports, like equality for women and other things. But people abroad also give to Canadian charities and things like that—

Mr. Mark Adler: But if foreign governments are supporting Canadian charities to engage in political activity in this country, I mean that should be known to everybody, shouldn't it?

Mr. Mark Blumberg: You know what? My take would be that—

Mr. Mark Adler: As a political candidate, I have to disclose whoever donates to my campaign.

Mr. Mark Blumberg: I don't have any problem with disclosure and transparency. For the environmental charities that are being accused of all sorts of things under the sun, I don't think even those would have a problem. If you look at the U.S. tax returns, the 990s, you can see how the money is flowing to Canada and being used for various types of initiatives and activities. I think it's already out there.

Mr. Mark Adler: But we would have to go to Washington to find out if—

Mr. Mark Blumberg: Actually, just go on your computer. You go to GuideStar. It takes five minutes, and you can pick out any foundations you want and read their tax returns, which are much more extensive than what Canadian charities have to file, and you'd be able to find out that information.

I think the political thing is a little bit of a red herring. Quite frankly, I'm more worried about \$20 million going to a terrorist organization in the Middle East than I am about some Americans who care about the environment in Canada and supporting stuff here. After all, if you're in Buffalo and something happens in Fort Erie, it affects you. I think these are our neighbours. They're not foreigners; they're our neighbours.

Mr. Mark Adler: Thank you.

The Chair: Thank you, Mr. Adler.

We'll go to Mr. Thibeault, please.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Chair.

First off, I'd like to thank each of you for being here, but also for all the great work that you do each and every day. Prior to being elected, 15 years of my life was dedicated to the not-for-profit sector. I was the executive director of the United Way and I worked for the Diabetes Association for a while, so I know some of the ins and outs and some of the things you face each and every day.

I recall many times sitting in front of my computer and pulling my hair out at some of the regulations that are in place. You're a charity

trying to do the great work that you can do for the people that you're trying to serve within your community.

We're talking about the tax incentive piece, and yes, I think if you were a good fundraiser, you would look at calling Mr. Smith or Mrs. Smith, who last year gave a thousand dollars, and asking them to increase their donation this year because you need more money this year—there have been more closures of programs, or whatever is happening out there, and you need more funding. As a good fundraiser, you figure out why Mr. or Mrs. Smith would give that amount of money. Then you would put the phone call in or you would go and have that face-to-face meeting.

The one thing I think we never did was say that this was a great way to give, that you get your tax money back at the end of the day. You pull on the heartstrings. You talk about the importance of your charity and you make sure this person wants to give. I think those are the important things that charities recognize.

One of the things that I have always found difficult is that while we're evolving as charities—looking at databases, how can we be better at what we do—it seemed that CRA never really modernized. Ms. Hewitt, you spoke to it, I believe, or at least your report talked about even social enterprise. So many charitable organizations out there or not-for-profits are looking at social enterprise as another way of finding a way to raise funds for the programs they're offering.

Is that something we should be looking at, seeing the CRA modernize a lot of their rules and regulations to ensure that charities—not that they can have a free ride—can move forward in the things that charities see as ways to move forward and modernize?

Ms. Hewitt, I'll hand that over to you.

Mrs. Allyson Hewitt: Thank you very much.

Yes, I would absolutely like to support that. When we look at what's happening for the three main sources of support for charities, you'll see government grants and donations are generally declining or, in some cases if we're lucky, staying the same.

Social enterprise, the revenue that not-for-profits and charities are able to generate, is the only source of income that's rising, and we need to create an enabling environment so that we can stop dependencies on grants and donations. I think they're critical. As a Canadian, I'm proud to support charities, I'm proud to work for a charity, but I do think it's really important to think about.

Let's catch up with the rest of the world on this, and then allow social enterprise in charities and not-for-profits, in guidelines that are very clear and are supported.

•(1635)

Mr. Glenn Thibeault: Excellent.

Would anyone else have any comments on social enterprise?

Mr. Michael Cloutier: I agree. I think it's important that CRA recognize the net contribution and the ability—the funds we're able to use in order to do mission delivery, so it's important that it's recognized as such.

Mr. Glenn Thibeault: Yes. Never straying from mission delivery I think is an important piece. All of a sudden, you can't have Charity A opening up a Tim Hortons. Right? That's not really social enterprise. If you're adapting it and changing it to teach someone some life skills, for example, and if it's a coffee shop, those types of things would fit, so I think those are—

Mr. Mark Blumberg: Charities can run Tim Hortons if they want to. If they do it all volunteer, that could be okay. Also, if they're going to do it, for example, in a hospital, it could be a related business.

There are avenues for charities—quite a few, in fact, for them to do business activities.

Mr. Glenn Thibeault: I chose the wrong coffee shop. Thanks for clarifying, though. I appreciate that.

I have 45 seconds.

Mr. Blumberg, there are precedents out there in what's being done in other countries that we could really look at and R and D it. When I say R and D, it's “rip-off and duplicate” rather than “research and development”. Would that be fair?

Mr. Mark Blumberg: We can always learn from the examples of other countries, but I would point out that in some other countries, they have more liberal rules for business activities by Canadian charities, but they also tax the activities.

I think you could have a very broad system where you allow charities to do anything, if it's taxable. In fact, that's what we have here in Canada. You can just set up a little subsidiary for-profit entity and it could run any business it wanted.

Actually, we are good at one thing in Canada, and that's complaining. We do a very good job of that. I think we have tons of social enterprises and they do fantastic work. We can have some changes to the rules. The new community economic development guidelines are going to come from CRA soon, which will provide more flexibility. But I really think we need a can-do attitude.

The Chair: Thank you.

Thank you, Mr. Thibeault.

Thank you for informing me of how you pulled your hair out before you came to politics. I didn't know that.

Mr. Glenn Thibeault: Yes. There's a reason why I'm this way; otherwise, I might have had long flowing locks.

The Chair: We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you, everyone, for coming here today.

Ms. Hewitt, you have to explain this to me. I'm listening to what you're saying, and I'm hearing some really neat things, but a social entrepreneur: I looked up the definition of an entrepreneur; it's an “owner or manager of a business who makes money through risk and initiative”.

How do you square that round hole?

Mrs. Allyson Hewitt: There is a huge movement to social entrepreneurs, and instead of focusing on a single bottom line of profit, they're focused on a double bottom line, to create social impact at the same time. Just to blow your mind a bit more, there are also triple-bottom-line folks, who are looking to make a profit, have social impact, and impact the environment in a positive way.

This is a huge movement. If you think about someone like Muhammad Yunus, who started microfinance, he is a classic social entrepreneur. In fact, here in Toronto I've worked with about 800 of those folks over the past year alone.

Mr. Dave Van Kesteren: Okay. In another committee, in foreign affairs, we're looking at how private enterprise can work alongside a charitable organization and be effective. This is the sort of thing you're advocating, and that's very good. I would concur with it.

Mr. Pegg, I've listened to what you said about receipts for foods from companies that package food. Couldn't it be argued that if there's a problem in housing, you'd want to do the same thing for building supply stores, to give them a charitable receipt if they do that? Would you take it even further, maybe to clothes, if we...? Isn't there a slippery slope? You'd say automobile dealers could then start to fix cars for people who can't afford....

How do you govern that?

Mr. Shawn Pegg: I think Mr. Blumberg is probably more of an expert on the other kinds of things that you could throw into the mix.

What I would argue about food is that currently food can be considered by the tax system as a charitable gift. So a food bank can give—

Mr. Dave Van Kesteren: Why not give a house? Why not give a home if somebody doesn't have a home, or clothes?

Mr. Shawn Pegg: There are ways to do that. You can value certain gifts and you can give a charitable tax receipt, and a donor can use that charitable tax receipt to reduce their taxes.

•(1640)

Mr. Dave Van Kesteren: So you want the same provision for a company that packages food?

Mr. Shawn Pegg: Right. Specifically with food, the problem is that there's no difference in donating food to a food bank, claiming it as a charitable gift, or just writing it off. It's a wash, basically. There is leeway with various types of goods and various types of gifts. We are just focusing very specifically on food. We think it fits within the current philosophy of the way charities are treated in Canada, so I don't think it's that far off the mark.

Mr. Dave Van Kesteren: I want to direct the next question to Madam Bahen and Mr. Blumberg.

You are taking the obvious groups that are abusing the system. What about an organization that would, for instance, create a magazine, say for firefighters, and then pass them out to children? They might produce 100 of these things and ask people to donate to that. Would that be classified the same?

You are saying no—

Mr. Mark Blumberg: You would have to know the details. If a charity is, for example, buying magazines for \$3 and selling them for \$3.25, and it costs the company that is producing them 10¢ to produce, then—

Mr. Dave Van Kesteren: Well, I'm talking about a person or a group that produces a magazine.

Ms. Kate Bahen: Like with chocolate bars.

Mr. Dave Van Kesteren: No, not chocolate bars; it's literally a magazine. I've had these calls where they tell me this is for the police foundation. Then when I call the police foundation, they say "Yeah, they do give us a little bit of money," but in essence what they're doing....

Are you familiar with those groups?

Ms. Kate Bahen: That's another can of fish, a completely different can of fish. That's where you have for-profit corporations using charities logo branding, and they will raise money on behalf of the charity. The deal is made between the charity and the for-profit marketing organization calendar company, or lottery company, and that will stipulate how much of the proceeds actually go back to charities.

Mr. Dave Van Kesteren: Do you find abuse in those groups as well?

Ms. Kate Bahen: There's no disclosure because they are for-profit, privately held corporations.

Mr. Mark Blumberg: CRA has come out with a new fundraising guide since April 20, so just a couple of weeks ago. It definitely says that CRA will be scrutinizing groups any time most of the money ends up going to for-profit companies and not to the charities. They will be scrutinizing that, if there's a high ratio of costs. They'll be looking at it if more money is paid than fair market value. It's all part of those CRA fundraising guidelines.

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

We'll go to Ms. Ashton, please, for a five-minute round.

Ms. Niki Ashton (Churchill, NDP): Thank you very much.

Recognizing obviously that you all do very important work, I want to gear my question towards Mr. Cloutier.

Mr. Cloutier, I'm very familiar with the work of your charity, the Canadian Diabetes Association, in part because of the region I represent, a region that has some of the highest rates of diabetes, frankly, in all of Canada. That's in Canada's north.

I'm wondering if the Canadian Diabetes Association has a specific branch that deals with aboriginal communities.

Mr. Michael Cloutier: Yes. We cover northern Canada through three different parts of the country, operating out of western Canada. We provide our mission delivery through all parts of Canada, with the exception of Quebec, which is Diabète Québec.

Ms. Niki Ashton: From what I understand and have seen in your materials and in the kind of work you do, you have a very acute understanding of the very challenging circumstances that aboriginal people with diabetes face in many of these communities.

Is that the case?

Mr. Michael Cloutier: We have a number of rich partnerships with a number of communities across Canada, and certainly in the north. We spend a lot of time trying to understand the needs of our stakeholders, the constituents in those areas. We try to ensure that our programs, our services, and our information are tailored directly to those communities, recognizing that there are sometimes subtle and not-so-subtle nuances to the way health care is delivered and to the needs of individual communities. Those communities are very important to us, and we do direct attention to them.

Ms. Niki Ashton: That's something that I've seen on the ground, and also from people from the Diabetes Association who have raised it with me as their member of Parliament.

Recognizing the reality and engaging with people who obviously see some real shortcomings in their communities, shortcomings that have a direct correlation with government action and inaction, it seems to me that the work that your representatives do, and certainly what the Diabetes Association does, is highlight the need to support healthy living in aboriginal communities.

Is that something you feel is important?

• (1645)

Mr. Michael Cloutier: It's an extremely important part of our mission in two ways. One is that we are very active with non-partisan advocacy in terms of developing reports that clearly point to both the social health impact and the economic impact of diabetes in all communities, particularly in aboriginal communities and communities at risk.

Secondly, our programming, again to the earlier point, is specifically tailored to the needs of those communities, and we do that in a variety of different ways with special interest and high-risk needs groups.

Ms. Niki Ashton: You made a very critical point there in speaking about non-partisan advocacy. It seems to me—I've certainly seen this in Parliament—that even when we do talk about the reality that aboriginal people face, it is often seen as very controversial, depending on how you present it.

Would you say that it's important to ensure non-partisan advocacy, whether it's in terms of aboriginal people and healthy living, whether it's in terms of women, people, others who live on the margins in many of our communities—that kind of non-partisan advocacy and the role that charities ought to play should be something that should be protected rather than discouraged?

Mr. Michael Cloutier: The rules that exist currently, in terms of advocacy, non-partisan advocacy, certainly meet the needs of our organization and the nine million Canadians with pre-diabetes or diabetes we're currently serving and working in partnership with. We believe there is ongoing opportunity. We continue to work with government at every level to ensure that people understand the needs within their communities, that are shared amongst all Canadian communities, as well as those that are unique to their communities.

We also work with the ADI, the Aboriginal diabetes initiative, to ensure that we're looking at the needs in a partnering opportunity with them as well.

So yes, I believe we need to have the opportunity to continue to do the work we do. The way things are currently structured, for us to be able to provide that value is meeting our needs and the needs of those individuals, and we continue to monitor it to make sure it remains so.

The Chair: Thank you.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I really appreciate the discussion we've had today. It has really taken some different looks at this issue.

Mr. Blumberg, I appreciate your comments that we've made significant strides—CRA—in terms of where we're going. That number, \$1.3 billion to \$300 million, and I think you're accurate... \$300 million is too much, but that's a huge difference in the last few years.

I also have to reiterate that the rules are not changing in terms of the ability for political advocacy, and I think that's getting confused in this discussion. What we're really doing is giving CRA some additional tools of transparency and ensuring that those rules are followed. It doesn't matter what the organization is focused on. CRA treats everyone the same, in terms of charities and in terms of what they do and where they go.

The one thing I am concerned about... I absolutely agree with more transparency and having more things on forms. As someone who used to be responsible for some health facilities, like Ms. Dodd, we had...but we didn't have a foundation; the foundation was separate, but the administrator of the facilities had to do both roles.

Is there any way that we can target things, in terms of abuse, without making every single charity do massive amounts of more paperwork? Are there ways that we can target high-risk groups?

I think the reporting requirements right now for a hospital charity or for the Diabetes Association or the food bank are quite adequate. That's my concern.

How do we square that circle? We don't want to drive everyone crazy with paperwork, but we do want to increase transparency.

Mr. Blumberg, I'd like you to answer first, and then anyone else who would like to comment.

Mr. Mark Blumberg: I would just say that CRA revised the T3010, the main form, so that for the average charity they're probably only filling in four pages. If they do other things, like foreign activities or they have employees or revenue over \$100,000, then they'll fill in additional schedules.

But I would point out that if you look at the U.S. form 990, just to take an example, World Vision would file, say, 20 pages in Canada and 350 pages in the U.S. So in the U.S. they're asking for a lot more information, and also in the U.K.

The point is, when you are involved with having this important ability to issue tax receipts that is very valuable and you want there to be a level playing field, with the public being able to, at least, if they're interested, access the information, one needs to think about it. Even to add questions, even on a voluntary basis to add another page of questions, just a few questions, could add tremendously to what the T3010 has.

I agree, we don't want to impose a huge burden, but, for example, the T3010 doesn't ask if you have volunteers, it doesn't ask how many volunteers, how much value that provides to your charity. I think it's too dominated by financial information, which for some charities is important, but for some charities there's very little money involved; it's people doing good work in their communities, and I think the T3010 could ask more about that.

Not to mention if we're talking about governance, there are some really good questions one can ask about governance if one is worried about some of the charity governance issues, and they do in the U.S. and the U.K.

• (1650)

Ms. Kate Bahen: I feel passionately about this. Can I just jump in?

I think that having a sliding scale is really critical. If you are a small church congregation with revenues of \$35,000 a year, you should not be held to the same standards of transparency and accountability as a World Vision bringing in \$120 million. I believe there should be a sliding scale.

The Chair: Thank you.

You have one minute.

Mrs. Cathy McLeod: I have a quick question, perhaps to Ms. Hewitt.

You talked about three things that would have relevance, and then you did a quick line in terms of Canada Revenue Agency. Can you give a brief description and clarify a little more in terms of what you were thinking on that topic?

Mrs. Allyson Hewitt: Thank you.

I was referring to the recommendations put out by the Canadian Task Force on Social Finance, and I believe we've brought those recommendations forward to this committee in a different form in previous years.

Really, what we're saying is if we are going to look at tax incentives, and I'm taking you a little bit to where I'm seeing the trends happening—we think about donations out of one pocket, about investments out of another pocket—what we're seeing in global trends is people trying to bring both those pockets together, when you're actually able to invest for some kind of a return and get both social and financial benefits.

In that regard, we think there are some really interesting things happening that we'd like to see Canada take advantage of, and we're recommending that we put together a working group of people from a variety of sectors to really dig deep into what that could look like.

I think the other issue was around social enterprise.

Sorry, were you cutting me off?

The Chair: Unfortunately, Ms. McLeod's time is up. Yes, I'm sorry. I have to be fair to all the members here.

Thank you, Ms. McLeod.

Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

And thank you to the witnesses.

I also worked in the non-profit sector back in the eighties in Fort McMurray, in northern Alberta, and I discovered quickly that non-profit means that you're working for non-profit for yourself as well. I went back to law school and did much better after that.

I did, however, spend some time as the chair of the Children's Health Foundation of Northern Alberta during the nineties, and I have to tell you it was very moving indeed. I got involved with many charities. In fact, I am involved with Health Partners International as well now.

I want to talk a little about something that's happened in the budget recently, and that is, of course, transparency and accountability, and generally transparency relating to non-profit organizations and charities in Canada. Would any of the witnesses here disagree with the statement that foreign foundations, foreign groups with particular directions, are in Canada utilizing foreign money to directly interfere with Canadian policy? Would anybody disagree with that?

Mr. Mark Blumberg: I wouldn't characterize it as interference. I would say—

Mr. Brian Jean: I understand, but—

Mr. Mark Blumberg: —we live in a democracy and people are entitled to have their views. Some people don't have much money and aren't able to really express those views very much. I think it might even be helpful to have a level playing field that anyone who wants to—

Mr. Brian Jean: With respect, that was not my question, and it is my time to ask the questions.

I understand how you feel and I understand that some people don't have much money, but they are not Canadians. I have no problem with Canadians interfering with Canadian policy. I'm talking about foreign foundations, foreign groups, and up to this time.... You're nodding your head, so is it fair to say that you would agree with that statement that there are foreign groups that come into Canada and try to put their policy on Canadians with foreign money? I think it's fairly obvious to most people.

You have not seen anybody.... You have not heard Vivian Krause give evidence that based on her research there are foreign foundations, American foundations and others, that are funding environmental groups, for instance, in Canada? You have not heard that?

●(1655)

Ms. Kate Bahen: In the work I've done over six years, I have never seen a foreign foundation influencing Canadian policy.

Mr. Brian Jean: Are you talking with lobbyists? I have that every day.

Ms. Kate Bahen: That's just my work experience.

Mr. Brian Jean: Would anybody disagree with that comment?

A voice: Which one?

Mr. Brian Jean: The one in relation to foreign foundations being involved in Canadian politics.

Mr. Mark Blumberg: There's no question that foreign foundations...I've seen a few of the 990s, the form in the U.S., and they disclose that they are involved in funding certain public policy and political discussions, not only in Canada but in other countries around the world.

Mr. Brian Jean: That's all I was asking. I think it's a fairly simple thing.

Now would you agree they should be transparent in relation to where they're getting their funding and where they're putting it?

Mr. Mark Blumberg: I have no problem with that.

Mr. Brian Jean: Does anybody else have a problem with that? I can't imagine somebody having a problem with that. Canadians pay billions of dollars to direct their policy in Canada, through electing their politicians, and certainly we get “de-elected” if they don't like our policy.

They're working directly against taxpayers' money and receiving a tax incentive to do so. It seems like a tax advantage to do so, and certainly it seems fairly straightforward, from my perspective, that they should be at least transparent in relation to where they're getting their funding and where they're putting their funding. That's all I'm suggesting.

Mr. Mark Blumberg: I would just suggest that right now every Canadian charity that receives foreign money has, for the last three years, had to disclose that it receives foreign money. You can always ask more questions. But I would point out that non-profits have to disclose nothing.

Mr. Brian Jean: Agreed. I was lumping non-profits in there. I think it's clear that they should at least disclose and be accountable to Canadians and be transparent. I see you're nodding and agreeing with me, that's fair to say. Unfortunately, the mike doesn't pick up your nod, but you would agree.

The next question I have is in relation to the 10% of the people who give 90% of the funds. I have heard on a continuous basis that there are a lot of Canadians who give a lot of money, but very few people give a lot of the money. That's correct, right?

How would you encourage that 10%, ignoring the 90% who give small amounts, to give more money and to be encouraged to give more money?

Ms. Dodd, please.

Ms. Mary Dodd: The stretch tax credit certainly will help, without question, at the grassroots level. In order to generate significant donations, you need to tap into some of the wealth that everyday citizens have, the grandmothers and parents who have cottages that nobody wants. That's an opportunity for wealth transfer, an opportunity for them to invest in the future of health care, for example, or in another charity, rather than waiting until their death and it gets dealt with as part of the estate. Ordinary citizens have a great deal of capital, if you will; through tax incentives, you can liberate that capital.

We saw that with the capital gains exemption. We virtually received no gifts of stock prior to the implementation of the capital gains exemption because there was no advantage to giving cash versus giving stock. With the implementation, everyday citizens started giving donations.

Mr. Brian Jean: Are there any other ways any other witnesses would see to encourage that? For instance, there was a limit of \$500, and you received more. I would suggest if you moved that number up to \$10,000 and had more of an incentive, wouldn't that work with the larger donors?

The Chair: We're out of time.

Would one person want to answer that, please?

Mr. Cloutier.

Mr. Michael Cloutier: One of the recommendations we've put forth, we believe, will do exactly what you're looking to achieve.

The Chair: Thank you.

We'll go to Ms. Nash, please.

Ms. Peggy Nash: I'll be splitting my time with Monsieur Caron.

I have one quick question to Mr. Blumberg. Just picking up on Mr. Jean's comments about foreign organizations, under the budget implementation act the government has tabled, the minister has the power to decide if an organization is carrying on activities in the national interest of Canada.

My question has two parts. Is there a similar requirement, that you know of, in other countries, the U.S., the U.K.? How would the government make that determination, in your view?

Mr. Mark Blumberg: I think the *Globe and Mail* had an article on this yesterday, and it got the whole thing wrong. Basically, this has nothing to do with foreign funding of Canadian charities. This has to do with the issue that there is a category of foreign groups that will be considered qualified donees. If a Canadian donates to them, it results in their getting a tax incentive, as if they had donated to a Canadian charity.

I welcome the cleanup of that thing to make it more clear, what it applies to. Before, it wasn't clear how Bill Clinton got his foundation in, how some other groups got in. There were nine groups on that list, with no clarity. Now there's clarity.

I'm hoping that Finance and CRA will come up with a list of some very good, reputable foreign organizations, put them on the list, either because they deal with emergencies or because they deal with other things in the national interest, and then Canadians can donate to those foreign entities. That's really all it is.

It's not related to the political issue. It has to do with the fact that right now there are only nine foreign groups on that list. Hopefully, there will be more so that Canadians can donate directly.

• (1700)

Ms. Peggy Nash: I understand that. The determination, though, is up to the minister, as opposed to an independent committee or an outside organization. Do you think that's appropriate? How would they determine that?

The other part of the question earlier was, is there the same requirement in the U.K. and the U.S.?

Mr. Mark Blumberg: They have different systems in the U.S. and the U.K., so you can't really make a direct comparison. But what I would say is this. I am hoping that there will be more international philanthropy, and that category can become more fulsome. Instead of nine charities, I hope there are a few hundred that will be on the list. How they will determine it...they'll probably come up with policies. It requires both the CRA and Finance to work together to add groups to the list, and hopefully we'll have a little bit more of an idea of how groups get on it in a year or two, as opposed to the secrecy surrounding how they've gotten on in the past.

Ms. Peggy Nash: Thank you.

The Chair: Monsieur Caron, two minutes.

Mr. Guy Caron: Madame Bahen, you talked about one of the tax scams being some kind of a pyramid scheme.

[Translation]

In the United States and in Canada, there has been some concern for several years about foundations that, in large measure, are tax shelters, specifically for the shares of family businesses. Those shares are not traded, rather the foundations act as tax shelters for significant amounts of money. Clearly, a part of that money is devoted to charitable activities, but the main objective is to shelter the money from taxes.

Do you think that it is as much of a problem in Canada as it is in the United States? If so, how can we correct the situation?

[English]

Ms. Kate Bahen: For private foundations where an individual, let's say Bill Gates, decides to put aside his money, he receives a tax receipt today, and the foundation is now set up...is that a tax incentive that I'm worried about? No, it is not. We've seen tax schemes run in both public foundations and in operating charities, so we see no distinction. The scoundrels get in and they are sophisticated, and they're not really worried about the legalese of it.

One of the things I would consider, if you are concerned about the money being put away today and the tax receipt issued today, is I would look at increasing the payout ratio. Currently, the payout ratio I believe is 3.5%. Canada has one of the lowest payout ratios in the developed world. That means that less money has to come out of that foundation into an operating charity each year. The U.S. is at 5%; other countries are looking at that tax issue and are looking to raise the payout ratio. It would mean that the money would be released faster.

Mr. Guy Caron: Mr. Blumberg.

The Chair: Just very briefly.

Mr. Mark Blumberg: I would agree with that. I think we should increase the payout to 5% or 6% from the 3.5% and encourage foundations to spend money, rather than keep it in perpetuity and things like that.

The Chair: Thank you. Merci.

I'm going to take the next round as the chair.

I wanted to follow up, Mr. Blumberg, with you on some comments. You talked about a charity, for instance, in Canada and the U.S., and the number of records they have to file. Ms. Bahen said that we should have a sliding scale for larger and smaller charities, and that seems to make sense to me. It seems a sensible point. Do you agree with that, Mr. Blumberg?

Mr. Mark Blumberg: I have no problem with that. Right now, we do have a sliding scale, in a sense. Most charities have under \$100,000 in revenue. For example, they fill in less information on the financial side than one that has over \$100,000. But you could have another sliding scale where, say, charities over \$1 million would fill in another two or three pages. I have no problem with that.

The Chair: I appreciate your comment about non-profits. I think it was a very interesting discussion you had with Mr. Adler. Would you apply the same rules, then, to non-profits that we apply to charities?

Mr. Mark Blumberg: Anything is better than what we have right now. So even if you were to say we'll have disclosure of non-profits

over \$1 million only, that's a lot better than what we have right now, which is that there's no disclosure of any of these \$80,000 to \$100,000 organizations. I would point out that CRA has it on a database, so it just requires a change to section 241 to be able to release that sort of information.

●(1705)

The Chair: I appreciate that very much.

I want to turn next to Ms. Hewitt. I'm very interested, and I'm very intrigued, in terms of social innovation. I think it's a fantastic path to go down. I think one of the concerns, though, is there's sort of a grey area between the non-profit sector and the charitable sector, and then the for-profit sector, and a concern that some people would be using charitable status, or sort of masking it as this type of enterprise but in fact being a for-profit enterprise.

How do other countries address that concern about that grey area?

Mrs. Allyson Hewitt: I think you have absolutely picked up on the fact that the lines are blurring all over the place. There are more for-profit entities that are actually set up to do social good and also to make money. It used to be that those were contradictory terms. But in fact we're seeing that youth in particular are saying they actually don't care about the corporate structure. What they want to do is achieve a social impact and make some money back, but not make no money—as my friend who worked in the non-profit sector before stated. They actually think they can make money and make a difference.

So there are some interesting precedents, but the lines are blurring. There are things like community interest companies in the U.K. There are L3Cs, or low-profit limited liability corporations, in the U.S. that are beginning to tackle this exact question. In fact, B.C. has just introduced a community enterprise company to look at this very issue.

The Chair: Okay. I appreciate that very much.

My third and final point—any of the charities can answer this—is that when I make a donation to a charity, I have a tax receipt in my BlackBerry within about one minute. In terms of electronic communication, the charities in Canada are at the forefront of this. I'm not sure exactly how that happened, but it's an outstanding electronic service by all of the charities that I have dealt with.

Yet when I deal with our health care system across the country, it's like Fred Flintstone designed the recordkeeping system in this country. Can one of you answer how we can get that innovation that the charitable sector has frankly implemented applied to the health care sector? Ms. Dodd, if you want to address that question.

Ms. Mary Dodd: It's something the health care sector is definitely struggling with. The electronic record—where you go into your physician in North Bay and they can call up your results from what happened when you were in Toronto—is where we're going. We're not there yet. It takes dollars. The government is not going to be able to provide this sort of backing, so it's up to the foundations to do the fundraising.

The Chair: I have a minute left. Does anyone want to comment in terms of how the charitable sector moved to adopt it in such a quick fashion? Frankly, the health care sector is still.... They still do the Roman numerals when I go into the hospital, and you do it three times over.

Mr. Cloutier.

Mr. Michael Cloutier: Certainly I would agree. Electronic medical records are absolutely imperative to realizing the real value of our health care system. We have countless Canadians who are injured and I might say whose lives are lost because we don't effectively manage care electronically. Obviously, there were many reasons for that in the past. But the commitment of all levels of government to ensure that we change it, and change it quickly, would go a long way to protect the interest of every Canadian, and in particular our constituents, the 9 million Canadians with diabetes or pre-diabetes.

The Chair: Thank you. I appreciate that.

We will go now to Mr. Brison, please.

Hon. Scott Brison: Thank you very much, Mr. Chair.

I want to help my colleague Mr. Jean a little bit, because he was looking for some examples of potential interference in Canadian political debate of U.S. or foreign entities.

The Koch brothers—American oil billionaires and founders of the foundation Americans for Prosperity, sponsors of the Tea Party movement—actually gave \$500,000 to the Fraser Institute between 2008 and 2010. Do you believe that's the kind of foreign interference in Canadian environmental debates that Mr. Jean is looking for examples of?

Voices: Oh, oh!

Mr. Mark Blumberg: It's very possible. The Koch brothers apparently also provided a lot of money to the Cato Institute. I think there's an IRS investigation at the moment into some of that stuff.

Yes, I think we should have a free flow of ideas. I don't mind money coming from outside the country, but I think we just have to be very open and realize transparently what's happening. I have a feeling that at the end of the day, in five years' time, we're going to find a lot more churches getting in trouble because of the political activities issues. Then we're going to find any environmental groups that have crossed the line.

I'm not sure why this can of worms was opened, but there will potentially be negative repercussions that will be across the board.

•(1710)

Hon. Scott Brison: Thank you very much.

So you believe that in fact this is not something that really is an environmental organization issue? It's something that is a governance issue in general that we ought to be concerned about, but that environmental organizations ought not be targeted specifically?

Mr. Mark Blumberg: I think we have generous rules allowing Canadian charities to do political activities. They should do it. It's actually important, for an efficiency and effectiveness reason, that they are involved with it. But yes, they need to have good governance procedures. They need to make sure they follow the rules and understand the rules.

The CRA will help through more public education—I'm hoping—over the next couple of years so that everyone does understand. Then maybe we will have more charities involved in political advocacy when they realize (a) it's allowed, and (b) it can be quite effective.

Hon. Scott Brison: Thank you.

I have a question about the whole area of social entrepreneurship and social finance.

RBC recently established a \$10 million RBC Impact Fund. How would that differ—such that members of the committee, including me, can understand better—from any other sort of foundation they might set up, a social impact fund? Will it have more milestones or perhaps some private sector type of discipline in the measurement of the results of the contributions? It would be helpful to have a little insight as to how that would differ from a more traditional foundation contribution.

Mrs. Allyson Hewitt: Thank you.

We're working very closely with RBC. They have announced the funds, but they are still working on the details. As I mentioned, we've also launched a Centre for Impact Investing.

One way I could make it clear is if we think about this 3.5% disbursement quota from foundations, one of the ways we can look at how to free up more capital is if the rest of the money is held up in traditional investments. But if you were a social enterprise, they could leverage some of that money and invest it in you. So it's not going to traditional investments; it's going to you and your either for-profit or not-for-profit enterprise as you try to generate revenue and generate social impact. It's a new way to free up this money.

Yes, RBC is thinking about how they apply business disciplines, social impact metrics, and other qualifiers to actually mobilize more capital that's in addition to fundraising and traditional charitable dollars.

Hon. Scott Brison: In other countries that have social finance, has there been a significant growth in terms of the percentage of overall philanthropic activities that social finance occupies?

Mrs. Allyson Hewitt: Absolutely, there has been leadership in the U.K. They did hold a social finance task force about 10 years prior to Canada. Australia has just launched theirs. We see lots of new dollars being mobilized.

We also see reports from groups like J.P. Morgan and other mainstream financial folks beginning to get this, and estimating that billions will be liberated.

Hon. Scott Brison: Is there a best practice model in terms of countries, in terms of governance of this emerging social finance model?

Mrs. Allyson Hewitt: I think lots of folks are figuring it out. Again, I think the U.K. is ahead, but there is lots we can learn from other people. We're actually well positioned to be leaders in this space in Canada through some of the social finance task force and other groups we're working on.

We are working and collaborating with international colleagues on this issue to get at the best practice models.

The Chair: Okay, thank you.

Thank you, Mr. Brison.

We'll go to Ms. Glover for the last round, please.

Mrs. Shelly Glover: I have just three quick points, and then I'm going to give a bit of time to Mr. Jean.

First of all, we've talked about the BIA very briefly, but it actually improves transparency and accountability for all charities. The BIA in fact does not target any environmentalist charities. I just want to make that clear. It isn't mentioned in the BIA in any way, shape, or form. That's something that has become political and partisan.

Nevertheless, there are two things I want to bring up. The \$15 million that the food banks save...it would cost to actually implement their suggestion. As I've listened to all of the testimony today, Ms. Bahen has been very clear about.... Two charities had \$370 million worth of fraudulent donations.

• (1715)

Ms. Kate Bahen: Out of 100, there were two—

Mrs. Shelly Glover: There is \$370 million that we should be trying to capture to put into charities. Thank you.

So if I were to ask Canadians if they would rather see corporations get \$15 million out of taxpayers' pockets to increase.... Or would you rather we go after the \$370 million in fraudulent...? I'm sorry, but I think Canadians are going to say we should put some more money towards enforcement.

So I ask you, do you agree with my assessment or not?

Mr. Blumberg, you're shaking your head.

Mr. Mark Blumberg: Yes, I think it's very important not only for the tax revenues, which are just a small piece of it, but also for the public trust, that we make sure that those sorts of schemes are not allowed to take place in Canada.

I think, yes, it can free up some money that could be used for either tax incentives or more government funding of the sector, because remember, more than two-thirds of the revenue of the charities sector comes from government money. Only a small percentage actually comes from fundraising—

Mrs. Shelly Glover: Very good. I do have to share my time.

But I do want to ask Ms. Dodd if she can send something in. You touched on bequeathing and you mentioned some incentives you think might work. We don't have time to discuss them. If you could be specific about those suggestions, we would love to receive them in committee, but we've run out of time. I think it is worth mentioning because I think they'll be interesting.

I do have to give my time to Mr. Jean, though.

Ms. Mary Dodd: I would just make one point. There is going to be \$1 trillion wealth transfer in the next 20 years. This is a study that BMO did. In the United States there will be \$40 trillion in wealth transfer, so it's a huge opportunity.

The Chair: You have about two and a half minutes.

Mr. Brian Jean: Thank you, Mr. Chairman, and thank you, Ms. Glover.

Ms. Bahen, where does Charity Intelligence Canada get its money from?

Ms. Kate Bahen: We are funded by individual donors and some private foundations. Our operating budget is \$300,000 a year.

Mr. Brian Jean: That's what I was curious about. Do those private donors and those foundations make up part of your top picks—the major 100 charities—or your 33 CI-identified outstanding Canadian charities that stand out for their leadership?

Ms. Kate Bahen: No, people like you, me—

Mr. Brian Jean: So anybody who donates to you is not one of these charities who are listed on your website as preferred picks.

Ms. Kate Bahen: No.

Mr. Brian Jean: I'm kind of curious. Frankly, I donate money, and I'm very interested in this, because I have to do my own due diligence, so I was curious about where your funding comes from and why these people would fund you.

What would be your normal donor?

Ms. Kate Bahen: There is no such thing as a normal donor. We are funded by elderly people, we are funded by students, we are funded by people who believe in the work we do that—

Mr. Brian Jean: Just on the basis that you would pick charities for other people and do due diligence on that.

Ms. Kate Bahen: People want greater transparency. It's not that they actually want us to pick charities. We are completely independent and objective.

Mr. Brian Jean: That's exactly what I believe, too. I think Canadians do want greater transparency, as you mentioned, and that is exactly why we passed in this budget the ability for Canadians to understand where money is coming from and where money is going.

Frankly, what you mentioned, Mr. Blumberg, troubled me, in that you said there were negative repercussions related to our requirements, especially given that you yourself....

I thought that's what you mentioned. So the negative repercussions you answered in relation to Mr. Brison were not in relation to the transparency that we were asking for? What was that in relation to? The question was directly—

Mr. Mark Blumberg: We shouldn't have a chill on people doing political activities within the charity sector, but I don't think the budget has anything in it that will actually impede charities' involvement in political...so I don't have any problems with those proposals.

I think the CRA's ability to suspend a charity if it doesn't file properly the T3010 is helpful, but it's not mainly on the political

issue; it's mainly on other issues, like they don't say they have \$10 million in fundraising costs—some charities—and they should.

Mr. Brian Jean: This is my last question, Mr. Chair.

So you would for sure suggest that we adopt more of the 990s that the U.S. requires and the T3010s that they require. I know they require a lot more from their charities and non-profits than we do in Canada. So you would suggest that we adopt more of that and more accountability.

Mr. Mark Blumberg: Yes, I would suggest that we have more transparency, and if it's done even on a sliding scale, that could be fine as well. But there are lots of things that, if you look at the U.S. and the U.K., they ask charities that are very helpful that we should adopt in this country as well.

The Chair: Thank you very much.

As the chair, I want to thank all of you for coming in today.

Ms. Hewitt, I want to thank you for joining us from Toronto. I want to thank you for all of your presentations and responses to our questions. If you have anything further for us to consider, please do submit it to us.

The meeting is adjourned.

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