



CANADA'S SOCIAL SAFETY NET:

A Call to Reform Funding Models for
Charities

CHARITY INSIGHTS CANADA PROJECT

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Briefing Document

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Executive Summary

Charities are a vital pillar of Canada's social safety net and economy—delivering essential services, employing millions, and strengthening communities. Yet many organizations are under growing strain due to chronic funding challenges. Short-term, restricted, and unstable funding models have left the sector in a precarious position, limiting its ability to retain staff, plan for the future, and respond to rising demand. As Canada grapples with an affordability crisis, economic uncertainty, and shifting community needs, a resilient and sustainable charitable sector is more important than ever. However, without meaningful reform to current funding practices—the sector's ability to deliver critical services is at serious risk.

Introduction

Charities and non-profits are essential to Canada's well-being. They provide frontline services in poverty relief, healthcare, education, and more—while contributing approximately 8.3% to national GDP and employing over 2.8 million people (Statistics Canada, 2023). Despite their central role, the sector remains chronically underfunded. Funding instability and inflexibility contribute to high personnel burnout and turnover, and limited ability to scale services or plan strategically. These systemic vulnerabilities were highlighted during the COVID-19 pandemic and are being further exacerbated by the current affordability crisis (Shields et al., 2024; Lasby and Barr, 2021; CanadaHelps, 2023). This briefing builds on data collected through the Charity Insights Canada Project (CICP) and highlights the urgent need for more stable, multi-year, and unrestricted funding. It focuses on one component of the sector's "trilemma"—inadequate funding, alongside the intertwined challenges of workforce retention, and surging demand for services from Canadians.

Research Overview

The insights in this briefing are based on three years of national survey data (2022–2025) from the Charity Insights Canada Project (CICP). The CICP collects weekly data from a representative panel of charities across Canada; organizations are selected at random using Canada Revenue Agency (CRA) T3010 data, ensuring robust national representation. CICP surveys maintain a 95% confidence level with a low margin of error, making the findings both reliable and actionable for policymakers and sector leaders.

Research Findings

- **Persistent Precarity:** Charities are increasingly prioritizing financial health as a matter of survival.
 - In 2025, 77% of charities identified funding and financial health as a top organizational priority – up from 66% in 2024. Similarly, 88% cited funding instability and uncertainty as their top concern, compared to 82% the year before (CICP [2.01.01](#), [3.02.01](#)).
 - Only 12% of charities described themselves as *very financially stable* in 2024, a sharp decline from 21% in 2023 (CICP [1.10.40](#); [2.08.30](#)).
 - The percentage of charities reporting adequate or highly adequate reserve funds dropped from 44% in 2023 to 35% in 2024 (CICP [1.10.40](#); [2.08.30](#)).

- Half of surveyed charities recently expressed concern about their long-term sustainability, citing challenges such as rising operational costs (68%), dependence on government funding (60%), donor fatigue (59%) and economic volatility (52%) (CICP [2.07.26](#)).
 - Individual giving is declining. Nearly one-third of charities reported a drop in individual donations in both 2023 and 2024 (29% each year), despite 95% relying on individual donors for funding (CICP [1.5.21](#), [2.06.21](#)).
- **Operating Budgets under Strain:** Funding models often fail to meet the operational needs of charities.
- Most charities operate with funding contracts without renewal guarantees, and only 8% report having secure, long-term funding in place (CICP [2.09.36](#)).
 - Inflation continues to strain budgets. In 2023 and 2024, charities reported rising costs in: Salaries (60% in 2023; 69% in 2024) ; Insurance (49%/47%) ; Supplies (53%/46%) ; Utilities (45%/42%) (CICP [1.03.15](#); [2.01.02](#)).
 - The demand for core funding is growing. The percentage of charities identifying core operational funding as their most needed support rose from 72% in 2023 to 80% in 2024 (CICP [1.03.15](#); [2.01.02](#)).
 - Unrestricted funding is critical but difficult to access. 68% of charities have indicated that it is the most beneficial form of support, yet 55% reported difficulty accessing it (CICP [2.09.33](#)).
- **Constant Fundraising:** Capacity constraints hinder many charities from securing the funding they need.
- As of April 2025, 35% of charities reported that it had become harder to secure grant funding over the past 2 years (CICP [3.04.09](#)).
 - While some charities report access to multi-year funding from provincial (45%) and federal (32%) governments, nearly one in four (24%) say they are unaware of any long-term funding opportunities available to them (CICP [2.09.36](#)).
 - The main challenges in accessing core funding include: Competition for limited resources (67%) ; Limited capacity for fundraising efforts (51%) ; Lack of dedicated staff or expertise (51%) ; Complex application processes (42%) (CICP [2.04.14](#)).
 - 55% of charities report constantly fundraising to cover core operating costs (CICP [2.04.14](#)).
 - Only 13% have a full-time staff member or volunteer dedicated to grant writing or fundraising (CICP [3.04.09](#)).

Discussion: Indicators of an Unsustainable Future

The data reveals clear warning signs of worsening financial strain across Canada's charitable sector. Most organizations are preoccupied with financial instability, and only a minority report strong financial health or adequate reserve funds (CICP [2.01.01](#), [3.02.01](#), [2.08.30](#)). Charities are navigating a funding environment characterized by short-term, restricted support, limited access to core or unrestricted funding, and mounting external pressures such as inflation and rising demand for services.

Systemic issues in the current funding landscape are compounding these issues. Despite well-documented needs, long-term, unrestricted, and core funding remains in short supply – even as funders increasingly acknowledge its importance (Imagine Canada, 2022b, CICP [2.09.33](#), [2.09.36](#); Edwards et al. 2022). Charities continue to spend significant time and resources pursuing fragmented, short-term funding, often without dedicated staff to manage this work (Canada Senate,

2019, [CICP 3.04.09](#)). While some funders embraced trust-based philanthropy during the COVID-19 pandemic (Imagine Canada, 2022b), restricted project funding remains the norm, rarely covering operating costs (Canada Senate, 2019). Governments at all levels play a pivotal role in addressing these urgent needs as one of the few sources of “counter cyclical” funding for the charitable sector (Jensen, 2025). When asked what specific priorities the government should be focusing on for the sector in 2025, 69% indicated increased access to funding and grants, followed by reduced restrictions on grant use (51%) and simplified reporting and compliance schemes (48%) ([CICP 3.05.15](#))

Our social safety net has historically benefitted from the generosity of individual Canadians, whose donations accounted for 41.5% of sector revenue in 2023 (Statistics Canada, 2023). However, this vital funding stream is under pressure. Nearly 46% of charities reported a drop in donations due to inflation (CanadaHelps, 2023), part of a broader trend of declining charitable giving over the past decade (CanadaHelps, 2024). At the same time, inflation is both increasing the cost of delivering services (reported by 60% of charities in 2023 and 63% in 2024) and the demand for services (49% in 2023 and 50% in 2024) ([CICP 1.03.15](#), [2.01.02](#)). The result is a perfect storm: a sector struggling to meet rising community needs while fundraising in an increasingly competitive and economically constrained environment (CanadaHelps, 2023; Simpson, 2023; Food Banks Canada, 2025).

Unstable and insufficient funding also hampers the sector’s resilience and adaptability. Funding constraints that do not properly account for core costs, limit charities investments into operational improvements such as technology, crisis preparedness, and staff development ([CICP 2.05.17](#), [2.09.34](#), [2.04.12](#)). In 2024, 78% of charities identified insufficient funding as the primary reason they could not focus on top priorities, leading to missed strategic opportunities (70%), overburdened staff and volunteers (64%) and delayed or incomplete projects (63%) ([CICP 2.08.31](#)). If financial precarity is not addressed, the consequences are long-term and serious organizational strain for charities and potentially, a sector-wide erosion of public service delivery. Despite these clear indicators of distress, governments and funders often maintain expectations of service delivery without addressing the underlying fragility of the system.

Conclusion

Charities are essential to the wellbeing of communities across Canada. Without their services, the quality of life for millions in Canada would decline – and pressure on public systems would intensify. Yet data from the CICP, alongside other sector research, reveals a funding structure that is falling short and a sector that is exhausted. Financial instability in the sector is complex and linked to broader social and economic factors. The pandemic demonstrated the willingness of funders to temporarily provide charities with greater flexibility, but more lasting and widespread funding reforms are needed immediately (Imagine Canada, 2022b). Strengthening the sector requires a deliberate shift towards trust-based philanthropy, underpinned by unrestricted, multi-year support from both public and private funders. These changes are not simply technical – but essential to ensuring that Canada’s charitable sector and social safety net remains resilient, responsive, and capable of meeting rising community needs.

The CICP will continue to monitor these trends and surface evidence to inform responsive, forward-looking strategies for the sector.

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