

# Financing Public Value

How Funding Design Affects the  
Impact of Canadian Charities



# Briefing Document

**From:** Carleton University's Charity Insights Canada Project [CICP]

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**Subject:** Financing Public Value: How Funding Design Affects the Impact of Canadian Charities

## Executive Summary

The need for reform of government funding of charities and nonprofits has long been recognized. A 2006 federal Blue Ribbon Panel stressed that government funding partnerships with charities and nonprofits are foundational to a competitive Canadian economy, but that the design of funding needs to change (Clark & Lankin, 2006). However, 20 years later the sector continues to operate within funding models that do not cover actual costs and are often short-term, restricted, and unpredictable. As Canada navigates an affordability crisis, economic uncertainty, and productivity challenges, reforming funding practices to strengthen the sector's ability to be an effective partner for governments is increasingly imperative.

## Introduction

An estimated one in four Canadians rely on charities for essential services (IPSOS, 2023), many of which are delivered at low or no cost, often below what governments or the private sector can provide (Grasse & Lam, 2021; [CICP 4.03.08](#)). These services rely on funding partnerships with donors, foundations, and governments. The effectiveness of these partnerships is dependent not only on how much funding is provided, but also on how it is structured. Drawing on three years of national survey data from the Charity Insights Canada Project (CICP), this briefing examines whether current funding practices within Canada's charitable sector are meeting the key principles of effective partnerships: efficiency; effectiveness; innovation; and accountability. The findings show that, while charities continue to strive to meet growing demand, existing funding models often undermine their ability to do so in a sustainable manner. As pressures on the sector increase, reforming how funding is structured is critical to maintaining and strengthening the public value that charities provide.

## Research Overview

These insights draw on data collected through the CICP's national survey panel, comprising roughly 1,000 Canadian charities from across the country. The panel changes annually and is constructed using CRA T3010 records. It includes a randomized selection of registered charities from a range of sub-sectors with exclusions including hospitals, universities, colleges, and places of worship (with some exceptions). Data were collected through short weekly surveys, administered between 2022-2026. While the panel is designed to reflect the diversity of the sector, findings should be interpreted as indicative of broader sector trends rather than strictly representative. The consistency of responses, combined with the breadth of participating organizations, provides a robust evidence base for identifying patterns and emerging sector-wide challenges.

## Research Findings

**Efficiency** – *Charities' ability to deliver services at low cost is closely linked to their reliance on volunteers, low wages, and uncompensated labour.*

- 93% of CICP respondents (in 2025) report engaging volunteers or operating as volunteer-run organizations; however, nearly half (49%) do not have a sufficient number to meet their needs. When numbers of volunteers increase, 60% of charities indicate their ability to deliver programs

improves (CICP 3.04.12); adequacy of volunteers enhances charities' ability to deliver programs effectively or to deliver them at all.

- Over half of charities report paid staff working unpaid overtime (53% in 2024 and 54% in 2026), primarily due to insufficient staffing (54%), budget constraints (50%), unrealistic workloads (29%) and pressure to reduce admin costs (29%) (CICP 2.03.07; 4.02.03; 3.02.03).
- Workforce instability in the sector remains a concern, with 26% reporting high staff turnover (20%+) in 2023, rising to 38% in 2024, before declining to 18% in 2025 – with low remuneration and limited benefits consistently cited as key drivers (CICP 1.03.11; 2.07.24; 3.06.20).
- The top factors limiting the ability of charities to expand free or low-cost services are: insufficient or restricted funding (69%), rising costs (53%), and limited staff/volunteer capacity (43%) (CICP 4.03.08).

**Effectiveness** – *Charities strive to provide high quality services that are affordable, accessible, dependable and sustainable, but face significant challenges.*

- 52% of charities have moderate to high concerns about their long-term sustainability, driven by rising operational costs (61%), short-term or unstable funding (46%) and inconsistent donor giving (41%) (CICP 3.08.30).
- 45% of charities report constantly seeking funds to cover core operating costs and 48% observe difficulty accessing such funding – largely due to funders reluctance to support these costs (53%) and competition for limited resources (53%) (CICP 3.08.27).
- On average, only 5% of funding is provided as full-cost project funding (CICP 2.09.33).
- Only 6% describe their organizational funding as very predictable and secure in 2025, (dropping from 10% in 2024) (CICP 2.8.30; 3.08.29). Reflecting these pressures, charities identify increasing access to funding (69%) and reducing funding restrictions (51%) as priority areas for enhanced government support (CICP 3.05.15).

**Innovation** – *Charities need to be forward-looking and able to innovate and invest in productivity improvements to adapt to changing environments and service demands.*

- Over half of charities introduced new programs (56%) and adopted new technologies (54%) in the last year, while 46% have developed new partnerships – primarily to improve efficiency and long-term sustainability (48%) and to respond to changing community needs (41%) (CICP 3.08.28).
- Financial and capacity constraints remain significant barriers: 50% report lack of funding limits digital skills development (CICP 3.10.36); 37% cite insufficient resources or expertise for AI adoption (CICP 3.05.16); 50% say funding constraints hinder collaboration (CICP 3.07.25); and 80% report budget limitations affect access to staff professional development (CICP 2.5.17).

**Accountability** – *Canadians expect charities to be transparent and answerable for public and philanthropic resources.*

- 40% of charities measure the impact of most or all of their activities, with key benefits including improved services (37%) and better targeting of need (30%). However, 70% say their funders do not provide specific funding for this work (CICP 2.10.38).
- Governance and transparency practices are widely adopted: 91% hold board meetings with recorded minutes, 76% publicly share audited financials or reports, and 71% publish annual reports (CICP 3.09.34).
- At the same time, 47% have called for government to support simplified reporting and compliance requirements for charities as a policy priority (CICP 3.05.15).

## **Discussion & Analysis of Research Findings**

**Efficiency** – Charities’ ability to serve communities at low costs is underpinned by extensive use of volunteers and constrained labour costs. Most Canadian charities engage volunteers, with a significant percentage (58%) being entirely volunteer run (CanadaHelps, 2023). However, efficiency is also being achieved through less sustainable means, including unpaid overtime, low wages and limited benefits. While these approaches may reduce short-term operating costs, they introduce longer-term inefficiencies that can undermine value for money (CICP [1.03.11](#); [2.07.24](#); [3.06.20](#)). High staff turnover (driven in part by compensation challenges) creates direct costs related to recruitment, onboarding, and training, while also disrupting service continuity. At the same time, increased workloads and burnout are contributing to rising mental health challenges among staff, reported by 66% of charities (CICP [3.07.26](#)).

**Effectiveness** – Nearly three quarters of charities report that demand is exceeding their capacity (CICP [2.05.19](#), [3.06.18](#)). Many have increased capacity (55% in 2024, 51% in 2025) and plan to continue doing so (61% in 2024 and 59% in 2025) (CICP [2.05.19](#); [3.06.18](#)). However, the reliability and sustainability of these efforts are increasingly at risk. A central challenge is that funding rarely covers the full cost of programs or core operations. As a result, charities need to subsidize the costs of service delivery with other unrestricted sources such as individual donations, earned income, and event fundraising - sources that can be volatile and, in some cases, are in decline (CanadaHelps, 2023; CanadaHelps, 2024; CICP [3.06.21](#)). Short-term funding arrangements and lack of renewal guarantees further limit organizational stability (CICP [2.09.36](#)). These conditions can constrain the effectiveness of charities: 43% report having insufficient time for their top priorities, with financial constraints cited as a primary factor (78%) (CICP [2.08.31](#)). The consequences include missed strategic opportunities (70%), pressure on personnel to do more with less (64%), delayed or incomplete projects (63%), and reduced ability to fundraise (58%) (CICP [2.08.31](#)).

**Innovation** – Charities are increasingly innovating in response to rising demand, evolving community needs, and the need to improve efficiency and long-term sustainability. Over the past two years, 89% report introducing operational or programmatic innovations (CICP [3.08.28](#)). Many however, lack adequate time, financial resources, and staff capacity to fully support and sustain these initiatives (CICP [3.08.28](#)). When funding models limit flexibility, innovation in areas such as technology, professional development, collaboration and crisis preparedness becomes incremental rather than transformative. For instance, charities increasingly view technology as essential infrastructure: 68% identify digital skills and technology adoption as a growing priority (CICP [3.10.36](#)). Interest in artificial intelligence (AI) is also high, with 56% interested in using these emerging technologies for grant writing and 48% for data analysis and reporting (CICP [3.05.16](#)). Yet financial and capacity constraints remain key barriers to unlocking these and other drivers of innovation (CICP [3.10.36](#); [3.05.16](#)).

**Accountability** – Charities demonstrate strong commitment to accountability practices, including widespread reporting, governance, and impact measurement. These efforts contribute to improved services and better targeting of need (CICP [2.10.38](#)). However, these practices can come with a significant burden to an organization. A majority (60%) report experiencing a moderate to severe administrative burden associated with funder reporting requirements, including increased staff workload, which diverts resources from service delivery (CICP [2.11.42](#)). Notably, these requirements are often not accompanied by dedicated funding to support compliance.

## Options for More Effective Funding Partnerships

- *Fund the full cost of service delivery, including adequate wages and benefits to support a stable and sustainable workforce. Funders that rely on low wages and allow only low costs for administration transfer costs and create inefficiencies for charities.*
- *Expand access to flexible, multi-year funding that supports both ongoing service delivery and core operations.*
- *Provide productivity enabling investments to improve the ability of charities to meet rising service demands and support innovation.*
- *Streamline and simplify reporting and compliance requirements and align them with appropriate resources to reduce administrative burden and allow enhanced productivity.*

## Conclusion:

Sector data illustrate that charities are working to uphold many of the principles that Canadians expect: delivering value for money, maintaining dependable services, adapting to change, and operating with accountability. However, current funding realities constrain the public value that charities can offer. Governments, foundations, and donors play a decisive role in determining whether charities can be effective, efficient, innovative, and accountable in ways that best serve the public interest. Flexible, multi-year, full-cost funding, proportionate reporting requirements, and investments in organizational capacity for charities are necessary investments in Canada's social safety net, job market, and innovation economy.

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

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