

Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post COVID-19



Executive Summary

Why nonprofits matter to communities

Imagine communities without nonprofits and charities - no summer camps, no minor softball or soccer clubs, no museums, art galleries or theatres, mental health services, women's shelters, immigrant services, community health centres, food banks, nonprofit housing. Every Ontarian has benefitted from at least one service or program of a nonprofit or charity.

Our communities need these organizations to survive. Our governments need these organizations to make communities thrive.

Nonprofits are essential now to help mitigate the effects of COVID-19 - and they will be needed to help our communities rebuild and recover.

COVID-19's impact on the ability of nonprofits to serve

The pandemic means Ontario's nonprofits and charities face imminent closure, and the losses will be devastating to Ontario communities, large and small. Seventy-five per cent of organizations have already lost revenue and one in three nonprofits have had to lay off staff or reduce their paid hours. One in five have closed their doors and may not reopen. [1]

ONN estimates that economic losses for the sector are \$1.8 billion in just the first three months since emergency closures. The impact of federal mitigation measures announced to date would translate to approximately \$883 million of relief for the Ontario nonprofit sector. Provincial measures so far add up to about \$237 million for the sector. This leaves a gap of \$680 million.

[1] ONN, "Ontario Nonprofits and the Impact of COVID-19: A flash survey report."
<https://theonncanada.ca/our-work/covid-survey-2020/>

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The solution: Working together with government

ONN recommends:

- 1. The Ontario government create a stabilization fund of \$680 million for the nonprofit sector to ensure that nonprofits and charities can help rebuild the economy and communities.** This funding can come via the unallocated portion of the \$3.7 billion set aside for “Supporting People and Jobs” in Ontario’s COVID-19 Action Plan, administered by the Ontario Trillium Foundation.
- 2. The Ontario government create a nonprofit advisory table to inform the Cabinet committee on the economic recovery.**

There are two purposes for the fund: in the short term, to mitigate the upheaval of job losses and the interruption of operations; backstop massive fundraising losses and the decimation of volunteer labour; respond to increased demand; and redesign programs for virtual delivery or physical distance requirements. In the medium term, the fund will enable organizations to reopen and ramp up operations quickly once the state of emergency is over, and to prevent permanent closures and major job losses.

Context: Gaps in current government supports

Revenue streams have taken a major hit, and current emergency funding from governments will not reach all nonprofits and will not be enough. This includes earned income and donations from non-government sources, which a large part of the sector relies heavily on. Nonprofits have limited reserve funds since they do not retain surpluses nor pay shareholders, and most will not qualify for business loans, even if the majority of their revenue comes from fee-for-service activities [2]. Nonprofit revenues fluctuate across any given year, so even organizations that expect to see a significant drop in revenues may not qualify for federal measures announced to date.

[2] ONN’s 2019 sector survey showed that almost half had no more than the bare minimum of three months’ reserves. <https://theonnc.ca/our-work/sector-360-survey-2019/>

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Rebuilding communities and the Ontario economy

People are relying on nonprofits for support now and will continue to rely on their community expertise and experience as the province recovers. The Ontario government cannot overlook nonprofits and charities whose work extends beyond essential services and serving vulnerable populations.

Stabilizing the nonprofit sector with a \$680 million fund would lessen potential downstream effects of the economic downturn, especially with increase in demand for services.

This is not about emergency funding. As the Ontario government makes plans to reopen the province, the window of time is closing to help stabilize nonprofits and charities and ensure they are ready to rebuild the economy and communities.

[2] ONN's 2019 sector survey showed that almost half had no more than the bare minimum of three months' reserves. <https://theonncanada.ca/our-work/sector-360-survey-2019/>

Impact of the pandemic on the nonprofit sector's contribution to Ontario's jobs, economy, and quality of life

One-third of nonprofits recently surveyed have either reduced hours for workers or have had to lay off staff. The estimated impact of the pandemic on Ontario's community nonprofits represents a loss of \$1.8 billion to Ontario's GDP over a three-month period since the emergency closures. Even as parts of the sector have closed as "non-essential" workplaces, others are already straining to manage increased demand for services as job losses mount across the broader economy and social issues multiply from the financial strain and enforced isolation.

Impact on jobs

Ontario's nonprofits and charities employ almost one million people, of which approximately 600,000 are full-time workers and 400,000 are part-time. Eighty per cent of the workforce is women.

For example, YMCAs across Canada have laid off 20,000 workers - 75 per cent of their workforce - in the wake of the COVID-19 crisis [4]. Half of Ontario's five thousand child care centres have closed and laid off tens of thousands of staff [5].

[4] CBC News, "Canadian charities say federal aid may not be enough to stay afloat."
<https://www.cbc.ca/news/canada/nova-scotia/charities-wage-subsidies-not-enough-recover-covid-19-pandemic-1.5515633>

[5] National Post, "Child care advocates say providers need pandemic relief from government".
<https://nationalpost.com/pmnl/news-pmnl/canada-news-pmnl/child-care-advocates-say-providers-need-pandemic-relief-from-government>

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In ONN's COVID-19 survey, one-third (36 per cent) of respondents indicated that their organization has either reduced hours for workers or have had to lay off staff. The pandemic and state of emergency have been particularly devastating for workers in arts and culture, sports and recreation, child care, and nonprofit social enterprises. In particular, many social enterprises that employ those facing barriers to the labour market have shut their doors, leaving the most vulnerable without work and social contact. Often operating without government grants, these organizations are among those least likely to re-open after the state of emergency is lifted, and their workers least likely to be hired elsewhere.

While some of these laid-off nonprofit workers will be hired back with help from the 75 per cent federal wage subsidy, many nonprofits organizations will not qualify because their revenue drops have not hit the required threshold in the established timeframe. But this does not mean that they can weather the drop. Nonprofits do not pay shareholders and typically operate on a break-even basis; for them, even a small revenue loss can be catastrophic. Most nonprofits do not have cash reserves to last them more than three months. It is not a matter of cutting into profit margins for these organizations; any loss of ticket sales, donations, event sponsorships, or service revenue translates immediately into pay cuts, layoffs, and closures.

Impact on local economies and GDP

Run Ottawa hosts the Ottawa Race Weekend each year, which generates \$27 million in economic impact for the National Capital Region. The race will not take place in 2020 because of COVID-19 [6].

[6] Epilepsy Ottawa, Tamarack Ottawa Race Weekend.
<http://epilepsyottawa.ca/runforepilepsy/>

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The Stratford Festival generates an estimated \$135 million for southwestern Ontario [7]. The start of the theatre season has been delayed indefinitely - and almost 500 workers laid off - because of COVID-19 [8].

Pride Toronto runs the world-renowned Pride Festival which, in 2019, added \$374 million to Ontario's GDP and generated \$149 million in tax revenues for government [9]. This year, the festival is cancelled due to COVID-19.

These event cancellations are only a few examples among many that not only provide jobs, entertainment, and recreation opportunities, but also help to sustain local economies. Their high profile makes them easy to recognize as singular economic losses, but there are countless other examples of nonprofits generating tangible economic impact for their communities on an ongoing basis. In London, Ontario, alone, 90 nonprofits reported losses totalling \$9 million in the first two weeks of the crisis, according to Pillar Nonprofit Network, an ONN member [10].

Often thought of only in terms of their service delivery function, nonprofits and charities contribute \$50 billion to Ontario's GDP. Any shrinkage in the nonprofit sector's economic activity will not only devastate clients and community members; it will also have a direct effect on the economy.

[7] The Globe and Mail, "Stratford Festival is the swan in the coal mine for COVID-19's impact on the arts." <https://www.theglobeandmail.com/arts/theatre-and-performance/article-stratford-festival-is-the-swan-in-the-coal-mine-for-covid-19s-impact/>

[8] CBC News, "Stratford Festival lays off hundreds, cancels more shows amid COVID-19 spread." <https://www.cbc.ca/news/canada/kitchener-waterloo/stratford-festival-layoffs-covid-19-1.5504542>

[9] Pride Toronto, Economic Impact Report 2019. https://www.pridetoronto.com/wp-content/uploads/2019/12/Pride-Toronto_Economic-Impact-Report-2019.pdf

[10] London Free Press, "Amid virus crisis, hardships get harder and even helpers need help." <https://lfpres.com/news/local-news/lfp-longform-amid-virus-crisis-hardships-get-harder-and-even-helpers-need-help>

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ONN's recent survey of nonprofits found that close to 75 per cent of respondents have experienced reduced revenue from fundraising, with the hard-hit arts sector reporting an 81 per cent reduction in ticket and event sales. The impact of the COVID-19 pandemic will cost almost half (43 per cent) of organizations between \$50,000 and \$249,999 each [11]. Another 10 per cent estimate the financial impact to be \$1 million or more.

Some of these organizations will qualify for federal relief through the wage subsidy program or (to a lesser degree) the business loan program and/or commercial rent relief program. None of these organizations will benefit from the Ontario government's announced \$6 billion in corporate tax deferrals or the Regional Opportunities Tax Credit, though a minority of nonprofits may benefit from other measures, such as temporary relief on WSIB premiums and the Employer Health Tax.

An important consideration unique to the nonprofit sector is the GDP contribution of its volunteers. Five million volunteers collectively donate 820 million hours to Ontario nonprofits, the equivalent of 400,000 full-time jobs. Approximately half of Ontario's nonprofits operate on volunteer labour only, without any paid staff.

An organization called Pro Bono Economics, founded by Andy Haldane, Chief Economist at the Bank of England, has developed a methodology to estimate the GDP contribution of volunteers in the nonprofit sector. Haldane calculates that **the contribution of the charitable sector in the UK would be equivalent to 10 per cent of GDP**, when adding in the estimated public value of these organizations' work, including that of their volunteers [12].

[11] Responses were evenly split between the \$50,000 to \$99,999 and the \$100,000 to \$249,999 categories.

[12] Andy Haldane. "The Third Sector and the Fourth Industrial Revolution." Lecture given on May 22, 2019. <https://www.probonoeconomics.com/news/andy-haldanes-full-speech-pro-bono-economics-10th-anniversary-lecture>

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In Ontario, none of the organizations that are volunteer-only (half the organizations in the sector) will qualify for the federal wage subsidy, the loans program, or likely the commercial rent relief program.

ONN estimates the average nonprofit will see an overall revenue drop of approximately 34 per cent for three months based on the following revenue breakdown for the period:

- 45 per cent of revenue comes from government and we assume this remains steady.
- 36 per cent comes from earned income (i.e., the sale of goods and services, including events and memberships) and we estimate this has plummeted by 75%.
- 15 per cent comes from donations and we estimate this has dropped by 40%.
- Four per cent of revenue comes from other sources, primarily investment income, and we estimate this dropped by 25 per cent for the quarter, then rebounded.

The estimated GDP contribution for the Ontario community-governed nonprofit sector in 2017 was \$21.1B [13]. Using this estimate (and ignoring inflation), a **34 per cent drop in revenue for Ontario's community nonprofits represents a loss of \$1.8 billion to Ontario's GDP over a three-month period.**

This estimate does not reflect the drop in volunteer hours experienced by Ontario nonprofits during the pandemic. Neither does it take into account any lasting effect or the possibility that the state of emergency restrictions will last longer than three months.

[13] Statistics Canada. Table 36-10-0613-01 "Production, income and outlay accounts of non-profit institutions (x 1,000,000)." DOI: <https://doi.org/10.25318/3610061301-eng>. The "community-governed" sector is the nonprofit sector excluding the broader public sector ("nonprofit institutions serving government" such as hospitals, universities, and agencies to which governments appoint board members) and industry associations ("nonprofit institutions serving businesses").

Impact on Ontarians' well-being and quality of life

The pandemic has clearly had a direct impact on the health of Ontarians, with over 16,000 infections and close to 1,000 deaths at the time of writing. Nonprofits from long-term care to supportive housing, developmental services, women's shelters, and community health centres have been on the frontlines of containing the virus and treating the sick. ONN's survey showed that 91 per cent of social services and 83 per cent of health services have experienced a disruption in service to clients and community.

The pandemic will also have a lasting impact on the work of health nonprofits because of the reduction in fundraising revenues. The cancellation of spring fundraising activities due to COVID-19 has meant that the Canadian Cancer Society is facing an estimated financial loss of \$80 to \$100 million out of a total budget of \$180 million. The Canadian Heart and Stroke Foundation has cancelled or postponed all of its spring and summer events resulting in an immediate revenue loss of \$25 million [14].

The stresses of mass unemployment, losing the support and structure of schools and child care, and ongoing social isolation are also creating new demands for community-based mental health organizations. Organizations like Kids Help Phone and Canadian Mental Health Association Ontario are seeing massive surges in demand for services, including from children, youth, and adults. Given existing waiting lists for services, they estimate \$100 million is needed to cope with the surge, of which a \$12-million announcement from the Ontario government is welcome, but not sufficient [15].

[14] Heart and Stroke Foundation, "Heart & Stroke temporarily lays off employees due to the impact of COVID-19." <https://www.heartandstroke.ca/what-we-do/media-centre/news-releases/heart-and-stroke-temporarily-layoffs-employees-due-to-the-impact-of-covid-19>
Toronto Star, "Not-for-profit sector turns to staff cuts amid slump in revenue." <https://www.thestar.com/news/gta/2020/04/17/not-for-profit-sector-turn-to-staff-cuts-amid-slump-in-revenue.html>

[15] Toronto Star, "Mental health is declining during the COVID-19 outbreak; service providers are nearing a breaking point." <https://www.thestar.com/news/gta/2020/04/12/mental-health-is-declining-during-the-covid-19-outbreak-service-providers-are-nearing-a-breaking-point.html>

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More generally, community well-being, which has always relied on the quiet but reliable presence of nonprofits, is taking a hit as some organizations close their doors and others struggle to adapt to working under pandemic conditions. We know that when nonprofits such as faith spaces, sports and recreation groups, arts festivals, food banks, and drop-ins start to fold under increased demand, communities are greatly affected. Homeless shelters, women's shelters, food banks, and organizations that help released inmates re-adjust to society are all overwhelmed with the requirements of physical distancing and/or increasing demand. In some cases, essential services are no longer being provided because organizations have had to close due when physical distancing is not possible [16]. In the words of one ONN survey respondent, "We, and [our] sister agencies across Ontario, serve a unique population; we are fearful that our entire sector will disappear by year end, leaving a huge gap in support for this population."

Anticipated future impacts

Beyond the immediate impact, the effects are expected to be deep and widespread for three additional reasons:

Demand for services tends to skyrocket during a recession, particularly in the human services areas like employment and training, women's shelters, children's aid, and mental health and addictions.

Non-governmental funding streams will not bounce back quickly. If the fall event/fundraiser season proceeds, the season will be overcrowded with spring event postponements and will land during a likely recession - meaning that revenue targets will likely not be met. We expect donations will not bounce back for a long time, given the anticipated impact of a recession on household finances across Canada. Foundations are likely to reduce granting amounts, having been hit by stock market losses and volatility.

[16] Toronto Star, "Amid COVID-19, inmates are leaving Toronto South jail to grim prospects with less help." <https://www.thestar.com/news/gta/2020/04/19/amid-covid-19-inmates-are-leaving-toronto-south-jail-to-grim-prospects-with-less-help.html>

Unprecedented human resource challenges caused by the disruption. Layoffs that become permanent will result in severance pay costs, which are not eligible expenses under provincial transfer payment agreements.

The loss of staff due to layoffs will result in declining productivity due to loss of institutional memory and skills. Many older workers in the sector may choose to retire after a hiatus, especially when faced with the financial challenges of organizations on the other side of the crisis. In 2013, 60 per cent of nonprofit leaders surveyed said they planned to leave their position within five years [17]. A retirement-driven exodus was already imminent and a crisis could accelerate the leadership crisis.

Volunteer patterns have been disrupted. Seniors, who constitute the majority of volunteers in Ontario, were asked to stay home during the pandemic and may not return.

ONN will conduct follow-up surveys of the sector and communicate the results to the Ontario government as we learn more about future impacts of the pandemic and downturn.

[17] ONN and Mowat NFP. Shaping the Future. 2013 p. 46. <https://theonn.ca/wp-content/uploads/2011/06/ONN-Mowat-Shaping-the-Future-Final-Report.October2013.pdf>

Conclusion

Time is of the essence in distributing a stabilization fund to Ontario's nonprofit sector. In late March, a federal stabilization fund was expected to be announced imminently. While some organizations qualify for the 75 per cent wage subsidy and others have been temporarily sustained by emergency top-ups, little funding has actually begun to flow and many organizations are on the brink. Temporary layoffs are already turning to organizational closures, leaving communities in the lurch, a large part of the nonprofit workforce unemployed, and negative economic effects rippling out from cancelled events, overburdened programs, and suspended operations.

In short, ONN recommends a \$680 million nonprofit sector stabilization fund with broad eligibility for public benefit nonprofits, primarily (at least 90 per cent) consisting of grants and supplemented by a smaller loan program. The Ontario Trillium Foundation should administer the program, ensuring a short application process and a reporting process.

Immediately establishing a stabilization fund will save these jobs, mitigate the impact on local economies, and prevent costs downstream resulting from a deterioration of health and well-being caused by the loss of local nonprofit community infrastructure. ONN would be pleased to recommend candidates for an advisory table if the Ontario government wishes to partner with community representatives to inform funding disbursement. We look forward to working with partners in government to ensure that the nonprofit sector can survive and thrive to continue to serve their communities as we rebuild the economy.

About ONN and the nonprofit sector

The Ontario Nonprofit Network (ONN) is the independent network for the 58,000 nonprofits and charities in Ontario, focused on policy, advocacy, and services to strengthen Ontario's nonprofit sector as a key pillar of our society and economy. ONN works to create a public policy environment that allows nonprofits and charities to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector, and channel the voices of our network to government, funders, and other stakeholders. Our work is guided by the vision that a strong nonprofit sector is the foundation of thriving communities, and a dynamic province.

Ontario's nonprofit sector plays a vital role as an economic driver, contributing \$50 billion to our province's GDP [3]. As a sector, Ontario nonprofits receive less than half of their revenues from governments, which means they can leverage public investments - via business activities, donations, and the contributions of volunteers - into significantly higher value in the services they deliver, all while creating jobs locally. Nonprofits employ almost a million people in Ontario -- of which a large majority are women -- and provide meaningful volunteer opportunities to another five million. Nonprofit social enterprises provide avenues for entrepreneurs to innovate, while creating jobs for people facing barriers, and adding value to local economies by reinvesting any surplus revenues back into enterprise development and mission-oriented work. Nonprofits are "anchor institutions", firmly committed to their communities, keeping jobs and purchasing local where possible. Nonprofits are an essential part of a strong economy for the future.

[3] Imagine Canada and Canadian Council on Social Development. "The Nonprofit and Voluntary Sector in Canada: Regional Highlights of the National Survey of Nonprofit and Voluntary Organizations." p. vi. <https://imaginecanada.ca/sites/default/files/2019-11/Regional%20Report%20-%20Ontario.pdf>

Appendix 1: Government measures to date to support the Ontario nonprofit sector in the COVID-19 crisis

Federal measures to date [18]

The impact of federal provisions announced to date would translate to approximately \$2.65 billion of relief for Canadian nonprofits. One third of Canada's nonprofits are in Ontario so we anticipate approximately \$883 million of relief to flow from the federal government to the Ontario nonprofit sector [19].

Based on ONN's estimate of a \$1.8 billion impact of the crisis on the Ontario nonprofit sector, the gap remaining after federal investment is \$917 million.

Provincial measures to date

ONN estimates that, not counting the temporary Employer Health Tax change (which affects a small number of nonprofits), the Ontario government has invested \$237 million in the sector as a COVID-19 response to date [20].

[18] For details on these estimates, see Appendix 1.

[19] This proposal does not take into account uncoded measures announced on April 24, 2020, notably the Ontario-Canada Emergency Commercial Rent Assistance Program, for which some nonprofits (that have seen revenues drop at least 70 percent and whose landlords are willing to absorb 25 percent rental losses) may benefit. It is unclear whether nonprofits that are commercial property owners will benefit. ONN's network is learning that organizations with unmortgaged properties have been told they are ineligible. ONN will continue to monitor the applicability and take-up of this program in the nonprofit sector.

[20] This proposal does not take into account uncoded measures announced on April 25, 2020, including a boost to frontline workers' wages in provincially-funded health and social services.

Appendix One: Continued

Federal measures to date

The Government of Canada has implemented several major programs that provide relief for nonprofits [23] and [24]

- A wage subsidy program (CEWS) for which certain nonprofits are eligible (75 per cent and 10 per cent levels). Imagine Canada has calculated that the value of this program for Canadian nonprofits is approximately \$2.5 billion.
- A package of \$324 million announced on or around April 2 for urgent needs, including \$100 million for food banks and local food organizations, \$50 million for women's shelters and sexual assault centres, \$9 million for United Way Canada, and other measures.
- An additional \$350 million grant program announced on April 21 for nonprofits and charities that work with vulnerable Canadians.
- A \$500 million grant program for Cultural, Heritage and Sport Organizations (some of which are nonprofits).

Imagine Canada estimates that the total impact of these provisions (before the April 21 announcements) would be \$2.3 billion of relief for Canadian nonprofits - \$2.65 billion following the April 21 announcement. One-third of Canada's nonprofits are in Ontario so we can expect approximately \$883 million of relief to flow from the federal government to the Ontario nonprofit sector.

[23] The federal government is also in talks with national organizations to develop a longer-term recovery/resilience program but details have not yet been determined. Imagine Canada estimates that an investment of up to \$7.2 billion is warranted.

[24] This proposal does not take into account uncostered measures announced on April 24, notably the Ontario-Canada Emergency Commercial Rent Assistance Program, for which some nonprofits (that have seen revenues drop at least 70 per cent and whose landlords are willing to absorb 25 per cent rental losses) may benefit.

Appendix One: Continued

Provincial measures to date

The Ontario government has implemented several programs that provide relief for nonprofits to date [25 & 26]:

- Ontario's March 25 COVID-19 Action Plan & Economic Update including the following measures that benefited nonprofits [27]:
 - \$120 million for home and community health care
 - \$5 million for meal and medicine delivery to seniors - subsequently increased to \$11 million
 - \$243 million for long-term care, of which an estimated 24 per cent, or \$58 million, would go to nonprofits based on the ownership split in the province (for-profit/nonprofit/municipal)
- Organizations funded by the Ministry of Children, Community, and Social Services (including those in the developmental services, women's shelters, and children's aid sectors) have received \$40 million through the Residential Relief Fund for additional costs incurred due to the pandemic.
- Support for food banks (\$8 million).
- Temporary changes to the Employer Health Tax (exemption temporarily raised from \$500,000 to \$1 million). The Economic Update indicates that "About 57,000 private-sector employers would pay less EHT." Sixteen per cent of respondents to ONN's flash survey indicated that their organizational budgets fell in this range but it is not possible to estimate the impact on the sector as a whole.

Not counting the temporary Employer Health Tax change (which affects a small minority of nonprofits), the Ontario government has invested an estimated \$237 million in the sector as a COVID response to date.

[25] The Ontario government also announced \$200 million for emergency services such as homeless shelters. Of this, \$52 million was for individuals receiving social assistance and ONN's network indicates that the remaining \$148 million was in large part used by municipalities for their own shelter systems.

[26] Note that this proposal does not take into account uncoded measures announced on April 25, including a boost to frontline workers' wages in provincially-funded health and social services.

[27] This list does not include costs that have simply been deferred, such as property tax and Worker Safety Insurance Board premiums.

Appendix Two: Sector-specific impacts

ONN's COVID-19 survey highlighted three major groups of nonprofits with significant impacts [21].

Community service nonprofits (15 to 30 per cent of organizations, including large multi-service nonprofits): Nonprofits that receive a majority of their revenue from government in the form of transfer payment agreements (TPAs) (as well as federal and municipal funding) are the most secure but still have shortfalls to address. While some of these organizations have benefited from the emergency COVID-19 funding already allocated by the Ontario government, there are urgent outstanding needs for hazard pay/recruitment and retention dollars, personal protective equipment, telecommunications, and other costs (including for positions not funded through existing TPAs, such as workers in homeless shelters and nonprofit housing). Many of these nonprofits use fee-for-service programs, such as child care, to subsidize government-funded services when the funder does not pay the true cost of the program (including proportional administrative costs). The loss of fee-for-service programs in these cases can put the entire organization at risk. The closure of child care spaces without making up for lost parent fees is a crisis for these organizations and also has broader implications for the nonprofit workforce, which is 80 per cent women.

Nonprofit social enterprises (20 to 30 per cent of organizations, including most arts and sports groups): Nonprofits that rely primarily on fee-for-service revenues, such as arts and culture, sports and recreation, housing, and employment social enterprises are the most at risk of permanent closure without stabilization funding. Many of these organizations have larger operating costs beyond staffing because of their facilities (community recreation facilities, event venues, housing, artists' studio space, etc.).

[21] Note that these estimates do not add to 100 per cent as there are other types of organizations, such as research organizations and provincial associations.

Appendix Two: Continued

Volunteer-only nonprofits (50 per cent of nonprofits): Approximately half of Ontario nonprofits have no paid staff. They exist on volunteer efforts and in most, but not all, cases have small budgets, often from donations and/or fee-for-service revenue. Most of these organizations shut down for the state of emergency. They may face few costs during the pandemic but are at high risk of permanent closure if volunteers move on to other projects or are forced to stay away because of physical distancing (seniors are over-represented among volunteers).

The entire nonprofit sector has been hard hit, but there are some types of organizations that face unique challenges. For example:

- Organizations that own buildings and rent them out (including nonprofit housing providers, faith spaces, and event space owners).
- Organizations that run social enterprise operations in fields such as child care, catering, courier, and retail operations (including Goodwill and Habitat ReStores); This is after years of being told to diversify their revenues beyond grants and donations. Yet, sales of goods and services have plummeted, causing one in five organizations to close up completely.
- Organizations serving marginalized populations and equity-seeking groups that have historically faced disproportionately poorer outcomes related to critical factors ranging from food insecurity to precarity in employment [22].

An overwhelming majority (79 per cent) of ONN's survey respondents identified a stabilization fund and bridge funding as critical needs. Given that almost half of respondents estimate that the total financial impact of COVID-19 pandemic on their organization will be between \$50,000 and \$249,999, a stabilization fund would help them to manage the worst of the crisis. It is imperative that the stabilization fund assist the sector in short-term stabilization and that nonprofits are brought to decision-making tables to discuss their role in the longer-term economic recovery.

[22] ONN's survey found that nonprofits frequently serve a wide range of communities, including the most marginalized. For example, 35 per cent of respondents serve low-income households, 29 per cent serve newcomers and refugees, and 26 per cent serve youth with multiple barriers.

Appendix 3: Characteristics of a provincial stabilization fund for the nonprofit sector

Purpose and eligibility

The purpose of the sector stabilization fund for Ontario nonprofits is two-fold:

In the short term (three months), the purpose is to prevent permanent job losses, mitigate job losses, mitigate the interruption of operations, backstop massive fundraising losses and the loss of volunteer labour, respond to increased demand, and redesign programs for virtual delivery and/or physical distance requirements.

In the medium term (six to twelve months), the purpose would be to enable organizations that temporarily closed to ramp up operations quickly once the state of emergency is over, and to prevent permanent closures (and job losses, service losses) to protect the quality of life of Ontarians as well as the nonprofit sector's contribution to Ontario's GDP.

Eligible applicants

The fund should be open to nonprofits, charities, and nonprofit cooperatives with a public benefit mission.

Grants

At least 90 per cent of the fund should provide flexible, non-repayable funds in the form of general operating support. Eligible expenses should include staffing and benefits, occupancy costs (mortgage/rent, utilities, property taxes, etc.), supplies and equipment, debt payments, and administrative costs. Nonprofits should be supported to re-design programs for the post-COVID era, to re-think operations for increased virtual work, and/or to be responsive to emerging opportunities and resilient in the face of socio-economic, cultural, and ecological changes.

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Loans

A supplementary fund (no more than 10 per cent of the whole) of repayable, zero-interest loans may be suitable for the minority of Ontario nonprofits that anticipate the need for bridge funding (such as nonprofit housing providers whose tenants are paying rent late) and/or nonprofits that could make up at least a portion of lost revenue with donated revenues later in the year (such as organizations that have shifted spring fundraising events to the fall).

Duration

Recipients should have 12 to 18 months to spend the funds, depending on when workplaces are permitted to re-open. A flexible repayment schedule for loan recipients should be available.

Application and reporting processes

A set of principles has already been established for funding agreements between the Ontario government and the nonprofit sector. This fund should embody these principles:

- Stewardship: focused on a clear outcome
- Reciprocal respect: a partnership approach
- Accountability: accountable for outcomes; incorporating the need for administration
- Simple: streamlined processes, simple language, quick turnaround on funding decisions and fund release
- Proportional: reporting is proportional to risk and funding
- Flexible: budget flexibility to adjust and innovate within appropriate guidelines

Size of fund

As noted above, Ontario's community nonprofits will have experienced an estimated loss of \$1.8 billion over a three-month period. Taking into account existing federal and provincial measures, the Ontario nonprofit Sector Stabilization Fund should be \$680 million.

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Delivery mechanism

The Stabilization Fund should be delivered through the Ontario Trillium Foundation. OTF can use its existing granting mechanisms, with oversight through the Ministry of Heritage, Sport, Tourism, and Culture Industries, to flow funds quickly and flexibly to a wide range of public benefit nonprofits. OTF also has the potential to secure private sector partners to contribute. This option also provides the Ontario government with appropriate profile and is easy to communicate details. heir communities as we rebuild the economy.