

## Biting the Hand that Feeds You? Exploring Whether (and How) Government Funding Constrains Charities' Engagement in Public Policy

John Cameron, Dalhousie University

Heather Dicks, Mount Saint Vincent University

Liam Swiss, Acadia University

### ABSTRACT

This article examines relationships between federal government funding and reported spending by charities on what the Canada Revenue Agency defined as “political activities” over the period 2003–2017. Anecdotal evidence suggests that many charities in Canada see dependence on government funding by other charities as a factor that limits policy engagement. Comparative research generally suggests that government funding is positively associated with policy engagement by charities, but also that it channels charities away from outsider or contentious forms of advocacy toward less confrontational, insider strategies. The CRA data on political activities analyzed here adds important insights because it tracks outsider advocacy involving public calls to action, which government funding is expected to constrain. This analysis finds that charities with federal funding were more likely to report political activities than those with no federal funding, but only to a point and with important differences based on the size of charities.

### RÉSUMÉ

Cet article examine les liens entre le financement du gouvernement fédéral et les dépenses déclarées par les organismes de bienfaisance pour ce que l’Agence du revenu du Canada (ARC) définit comme des « activités politiques » au cours de la période 2003-2017. Les données anecdotiques suggèrent que de nombreux organismes de bienfaisance au Canada considèrent la dépendance au financement public d’autres organismes comme un facteur limitant l’engagement politique. Des recherches comparatives suggèrent que le financement public est positivement associé à l’engagement politique des organismes de bienfaisance, mais aussi qu’il les éloigne des formes de défense des intérêts externes ou controversées au profit de stratégies internes moins conflictuelles. Les données de l’ARC sur les activités politiques que nous analysons ici apportent des éclairages importants, car elles suivent les actions de défense des intérêts externes impliquant des appels publics à l’action, que le financement public devrait limiter. Notre analyse révèle que

les organismes de bienfaisance bénéficiant d'un financement fédéral étaient plus susceptibles de déclarer des activités politiques que ceux n'en bénéficiant pas, mais seulement jusqu'à un certain point et avec des différences importantes selon la taille de l'organisme.

**Keywords / Mots clés :** charities, advocacy, policy engagement, Canada Revenue Agency / organismes de bienfaisance, plaidoyer, engagement politique, Agence du revenu du Canada

## INTRODUCTION

There are widespread assumptions and anecdotal evidence that receiving government funding is a key factor that limits the willingness of charities to engage in public policy advocacy, based on the premise that charities are reluctant to “bite the hand that feeds them.” At the same time, empirical evidence generally indicates that receipt of government funding is positively correlated with policy engagement by charities, but also that government funding softens the advocacy strategies of charities, channelling them away from “outsider” advocacy strategies that engage citizens toward less-confrontational forms of institutional or “insider” advocacy (Chewinski & Corrigall-Brown, 2020; Clément, 2017).

The distinction between insider and outsider advocacy strategies and the decisions that charitable organizations make about which to adopt are important both from the perspective of organizational effectiveness and citizen engagement in democracy. Insider advocacy, also referred to as “institutional advocacy” (Lang, 2012, p. 22), “policy advocacy” (Sussman, 2007, p. 83–86) and “direct advocacy” (Binderkrantz, 2005, p. 697), involves strategies directly aimed at policymakers that take place behind the scenes and do not involve the broader public, such as meeting with and lobbying politicians and bureaucrats, either privately or through formal channels such as parliamentary committee meetings (see also Dür & Matteo, 2013; Hanegraaff, Beyers, & De Bruycker, 2016). Outsider advocacy, also referred to as “community advocacy” (Freiler & Clutterbuck, 2017, p. 183), “public advocacy” (Lang, 2012, p. 23), “indirect” advocacy (Mosley, Suárez, & Hwang, 2022), and “public awareness campaigning” (Sussman, 2007, pp. 77–78), involves strategies designed to engage citizens through awareness raising and public calls to pressure policymakers to change or retain specific policies through tactics from letter writing to public demonstrations. As Mosley, Suárez, and Hwang (2022) argue, these approaches to advocacy should be understood as a continuum, with many organizations engaging in degrees of both.

Much of the analysis of insider and outsider advocacy focuses on the question of which approach, including the combination of both approaches, is most effective at achieving policy change and on the factors that shape decision-making about advocacy strategies by charities (Colli, 2019; Dür & Matteo, 2013; Hanegraaff, Beyers, & De Bruycker, 2016; Hojnacki, Kimball, Baumgartner, Berry, & Leech, 2012). Based on an empirical analysis of nonprofit advocacy in Europe and the United States, Lang recognizes that insider approaches are often more effective at bringing about short-term policy change, but also warns that “advocacy without publics” (Lang, 2012, p. 93) fails to engage citizens in policymaking and ultimately contributes to the weakening of democracy. Similarly, Reisman, Gienapp, and Stachowiak (2006) point to advocacy outcomes beyond “policy change” that are much more likely to be achieved through outsider approaches, such as shifts in social norms, strengthened alliances, and strengthened bases of support. Mulé and DeSantis (2017) also highlight “serious

risks” from insider advocacy, including “political accommodation, exclusion of groups, non-profit mission drift, and non-profit co-optation—all of which are threats to democracy” (p. 14; see also Freiler & Clutterbuck, 2017).

The question of how government funding shapes policy advocacy by charities, and especially outsider advocacy, is thus important for several reasons. While governments are key funders of the charitable sector in many countries (Corrigall-Brown & Ho, 2015), charities also often serve populations that are adversely affected by government policies, which puts those charities in a position to contribute valuable expertise to policymaking processes and to hold governments accountable (Albareda, 2018). At the same time, evidence indicates that even charities with significant expertise are often hesitant to advocate on public policy issues (Gibbins, 2016; Lang, 2012; Salamon, 2002), especially through outsider strategies (Chewinski & Corrigall-Brown, 2020). Outsider advocacy is important because it engages citizens in public policy debates, contributes to movement building, and can help to generate the public pressure that is sometimes required to bring about policy change (Lang, 2012; Mulé & DeSantis, 2017). It is thus important to understand the factors that shape and constrain charities’ decisions about policy engagement in general and outsider forms of advocacy in particular.

To better understand how government funding affects engagement by charities in outsider advocacy, this paper examines Canada Revenue Agency (CRA) data on the relationship between federal government funding and spending by Canadian charities on what the CRA defined as “political activities,” from 2003 through 2017. The CRA data enables analysis based on a very large sample size over a multi-year timeframe that is not possible with most other datasets. The CRA data on “political activities” measured policy engagement involving public calls to action—a form of outsider advocacy that government funding is expected to constrain. The CRA defined “political activity” as any effort that “explicitly communicates a call to political action (that is, encourages the public to contact an elected representative or public official and urges them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country)” (CRA, 2003a, Section 6.2). From 2003 through 2018, CRA regulations allowed charities to engage in non-partisan political activities provided that the charity did not allocate more than 10 percent of its annual revenue to those activities (see also Carter & Man, 2011). Through these regulations, the CRA limited and monitored charities’ engagement in advocacy that involved calls to public action but put no limits on insider advocacy, such as lobbying or meeting with public officials.

Although the government of Canada amended the *Income Tax Act* at the end of 2018 to remove the restrictions on political activities by charities (Government of Canada, 2018; CRA, 2019), the CRA data from 2003 to 2018 continue to offer important insights on patterns of policy engagement by Canadian charities and an important baseline for future research. In 2019, the CRA introduced new guidelines that allow charities to engage in unlimited “public policy development and deliberation activities (PPDDAs)” provided they are non-partisan and related to a charity’s stated purpose (CRA, 2019). However, our interviews with charities in a parallel project indicate that although they appreciated the regulatory change, it had almost no effect on whether, how much, and how Canadian charities engage in policy advocacy, indicating that the same factors that influenced policy engagement before the regulatory change in 2018 continue to do so afterward (Cameron & Munro,

2025; see also Phillips & Nguyen, 2024). As charity leaders explained, decisions about policy engagement after the regulatory change continue to be shaped and constrained primarily by organizational and financial factors, including charities' missions, available time and resources, capacity to raise funds for policy advocacy, risk tolerance by boards of directors, and relationships with communities, members, and funders (Cameron & Munro, 2025; see also Phillips & Nguyen, 2024).

This study's central finding is that federal funding is positively correlated with charities' reported spending on political activities; that is, charities with federal funding were more likely to report spending on political activities than charities without federal funding. However, this relationship varied based on the size of the organization and the level of dependence on federal funding. Large charities were significantly more likely to report spending on political activities than small or medium-sized charities. For large and medium-sized charities, the highest probability of reporting political activities occurred when federal funding represented 2–20 percent of their revenue; for small charities, the highest probability of reporting political activities occurred when federal government revenue represented 20–50 percent of their total revenue.

This article is organized into four sections. Part 1 explores the literature on the relationship between government funding and policy engagement by charities that informs the research. Part 2 explains the dataset and our research methods. Part 3 explains the main findings, and Part 4 discusses the significance of the findings for charities in Canada and other jurisdictions.

## LITERATURE REVIEW: GOVERNMENT FUNDING AND POLICY ADVOCACY BY CHARITIES

Empirical evidence, mostly from the United States, suggests a positive relationship between government funding and policy engagement by charities. Some research has found that government funding has either no statistically significant effects on advocacy (Chaves, Stephens, & Galaskiewicz, 2004; Garrow & Hasenfeld, 2012; Leech, 2006; Neumayr, Schneider, & Meyer, 2015; Suárez, 2009), or negative effects (Beaton, MacIndoe, & Wang, 2020; Bloodgood & Tremblay-Boire, 2017; Guo & Saxton, 2010; Sandfort, 2005; Schmid, Barr, & Nirel, 2008). However, the bulk of the empirical evidence indicates that receipt of government funding is associated with more policy advocacy by charities, not less (Bass, Arons, Guinane, & Carter, 2007; Donaldson, 2007; Kelleher & Yackee, 2009; Leroux & Goerdel, 2009; Mosley, 2010; Moulton & Eckerd, 2012; O'Regan & Oster, 2012; Salamon, 2002). Some research also indicates that the relative proportion of government funding in a charity's revenue has important effects on advocacy. For example, Salamon (2002) found that U.S.-based organizations that received between 21 and 50 percent of their revenue from government were the most likely to report spending on advocacy; when government funding exceeded 50 percent of revenue, the likelihood of spending on advocacy declined (see also Child & Grønbjerg, 2007).

These observations are heavily based on data from the United States, where legal definitions of advocacy include charities' contacts with government decision-makers for the purpose of accessing or maintaining funding (Internal Revenue Service, n.d.). In Canada, lobbying policymakers for funding, or indeed lobbying for any purpose, was never included in the CRA's definition of political activities. The CRA data thus measures a very specific form of outsider advocacy involving public calls

to action. Empirical analysis of the relationship between government funding and policy engagement by charities in Canada is relatively sparse and limited to surveys of charities at fixed points in time. In 2015–2016, Imagine Canada conducted a survey of 1,845 charities and found that organizations that reported government as their primary revenue source were more likely to engage in public policy activities than charities that reported other sources of revenue, but also that government-funded charities were less likely to report “heavy” involvement in public policy activities (Lasby & Cordeux, 2016, p. 10). The report did not examine the relationship between government funding and reported engagement in CRA-defined political activities. The Charity Insights Canada Project (n.d.) has generated valuable data on a wide range of issues related to the charitable sector based on weekly surveys, but has not specifically examined the relationship between government funding and policy advocacy. The CRA data on political activities thus provide an important perspective on the relationship between government funding and more contentious forms of advocacy involving calls to public action.

Adding important nuance, various studies have also found that government funding softens the advocacy strategies of charities, steering them away from more aggressive outsider tactics toward less-confrontational forms of insider advocacy (Berry, 2003; Lu, 2016; Mosley, 2010; Onyx, Armitage, Dalton, & Melville, 2010). For example, Nicholson-Crotty (2009) found that government funding correlated positively with insider advocacy but had a negative effect on “aggressive advocacy” involving calls to public action. Similarly, Mosley (2012) found that government funding led nonprofits to “reject confrontational methods and advocate as insiders” (p. 841). Lu’s (2018) meta-analysis concludes that “it seems that nonprofits with more government funding use more insider strategies to achieve their advocacy goals” (p. 209). Various scholars use the term “channelling theory” to describe the ways that funding from foundations and governments channels charities and nonprofits away from outsider advocacy toward institutional or insider forms of advocacy (Chewinski & Corrigall-Brown, 2020; Clément, 2017; Jenkins & Eckert, 1986; Jenkins & Halcli, 1999). Similarly, other research, categorized by Salamon (2002) as the “paradigm of conflict” (p. 7), highlights the reluctance of governments to fund organizations that criticize them and the corresponding risks of cooptation of organizations that receive government funding (INCITE, 2017; O’Neil, 1989).

Resource dependence theory, resource mobilization theory and the paradigm of partnership offer additional theoretical perspectives on the effects of government funding on advocacy by charities. Resource mobilization theory highlights the human and financial resources that charities need to support effective policy engagement (McCarthy & Zald, 1977; Jenkins, 1987). Proponents of resource mobilization theory emphasize that, for most organizations, strategic and consistent policy advocacy costs money to pay professional staff with in-depth knowledge of policy issues, policy-making processes, and policymakers, as well as the time to commit to sustained advocacy campaigns (Donaldson, 2007; Jenkins, 1987; Mosley, 2010; Salamon, 2002).<sup>1</sup> In keeping with this approach, many studies have found that charities cite “limited resources” as one of the main reasons for not engaging in policy advocacy (CICP-PCPOB, 2024, p. 4; Donaldson, 2007; Lu, 2016; Bass et al., 2007; Pekkanen & Smith, 2014). Similarly, based on an extensive survey of Canadian charities, Lasby and Cordeux (2016) found that “heavy engagement” (p. 9) in policy advocacy increased with

revenue size. While some member-based and grassroots organizations make extensive use of volunteers in their advocacy work, resource mobilization theory would highlight that those organizations also typically have paid, professional staff to design advocacy campaigns and to train, motivate, and manage those volunteers, which requires financial resources (Chenli & Abrokwah, 2021; Donaldson, 2007; Mosley, 2010). From the perspective of resource mobilization theory, government funding can contribute to the overall financial strength of charities, enabling them to use other sources of revenue for advocacy toward government funders.<sup>2</sup>

Resource dependence theory highlights the dependence of charities on external resources and their strategic management of the risks created by that dependence (Pfeffer & Salancik, 2003; Oliver, 1991; Wolch, 2014). Resource dependence theory emphasizes that charities' funding sources influences their strategic calculations about when, how, through what channels, and how much to engage in advocacy. Like channelling theory, resource dependence theory predicts that charities receiving government funding will be cautious about outsider forms of advocacy that might jeopardize their relationships with government decision-makers and will be more likely to pursue insider strategies such as lobbying (see Mosley, 2010; Salamon, 2002).

The paradigm of partnership, articulated most clearly by Salamon (2002), highlights how government funding can help to generate relationships with policymakers and thus open pathways for charities to exercise policy influence (see also Kelleher & Yackee, 2009; Mosley, 2010). Similarly, when government officials seek input on policy decisions, the paradigm of partnership posits that they are most likely to seek out the organizations that they fund and trust. This perspective highlights the value that charities place on positive relationships with government agencies both as a source of funding and as avenues for policy influence.

Taken together, these theoretical approaches highlight the ways that government funding can enable policy engagement by charities but also shape strategic decision-making and risk management in ways that would typically lead charities to prefer insider approaches rather than public calls to action and other outsider tactics that publicly criticize governments and risk jeopardizing relationships with policymakers. Based on the existing empirical research and theoretical perspectives, we would expect the CRA's data to reflect similar patterns; that is, charities with government funding, and especially those with significant government funding, would be less likely to report spending on the aggressive or contentious forms of outsider advocacy involving public calls to action (i.e., CRA-defined "political activities") than charities with no government funding.

Before we turn to our analysis, it is important to highlight some key methodological patterns in the existing research to understand the value of the CRA data. First, as indicated in Lu's (2016) meta-analysis, much of the existing research is based on surveys, which enable researchers to ask more specific questions about the relationships between organizational variables and policy engagement, but are also limited by relatively small sample sizes and typically examine only a single point in time. Of the 38 studies reviewed in Lu's (2016) meta-analysis, 32 were based on survey data and six were based on U.S. tax agency data (Internal Revenue Service), 36 of the studies were based on data from a single year, and 26 had sample sizes under 1,000, with a median sample size of 312 (Lu, 2016). By contrast, data from charity regulators, such as the CRA, enable much larger sample sizes across multiple years, although with less nuanced information about organizational characteristics and advocacy activity.<sup>3</sup>

Much of the existing research is also based on U.S. charities (31 of 38 studies in Lu's meta-analysis). Lu (2016) concluded that "the generalization to non-U.S. countries should proceed on a case-by-case basis" (p. 212). At the same time, Clément (2017) observed that "most studies" on policy engagement by charities in Canada are based on "anecdotal or thin empirical evidence" (p. 1705). The Charity Insights Canada Project (n.d.) has generated extremely valuable empirical data since 2022 based on weekly surveys of a large sample of Canadian charities, including analysis of policy engagement by charities, although none of which specifically examines the effects of government funding (see Phillips & Nguyen, 2024). The CRA data thus still offers the largest empirical dataset and an important complement to the existing research on the effects of government funding on advocacy by charities. In particular, the CRA data provides insights into the relationships between government funding and the kinds of outsider policy engagement, which the empirical evidence suggests that charities that receive government funding are likely to avoid.

## DATA AND METHODOLOGY

**Dataset:** The dataset for this study captures the CRA data from all registered charities in Canada that submitted annual T-3010 information returns for the period 2003 through 2017. The CRA regulations on political activities were in effect from 2003 through 2018, but to control for reduced rates of reporting in the last year (2018) when it was clear that the regulations would soon change, the authors analyzed data for the 15-year period from 2003 through 2017 (inclusive). Prior to the analysis, extreme outliers in reported spending on political activities and reported federal government revenue were removed as they were likely cases of misreporting (see Appendix 1 for methodological notes). Also excluded from this analysis are all organizations with revenue less than \$100,000 (before adjustments for inflation). The reason for excluding these organizations is that CRA T-3010 forms do not require charities with less than \$100,000 in revenue to distinguish between federal, provincial, and regional/municipal funding, so it is not possible to know which levels of government support these charities.<sup>4</sup> After applying the exclusion criteria to the CRA data, the authors were left with a dataset of 524,529 observations, representing an average of 34,969 organizations per year (see Table 1). The authors then adjusted the dollar values in the CRA data for inflation using the Bank of Canada inflation calculator and 2016 as the base year.<sup>5</sup> Within the dataset, a total of 25,022 charities reported receipt of federal funding in at least one year; 1,489 charities reported political activities, and 951 charities reported political activities in the same year as they reported receipt of federal funding.

This data faces limitations, including only two very basic indicators of policy engagement: 1) whether each charity reported engagement in CRA-defined "political activities," and 2) how much money each charity reported spending on "political activities." The CRA did not regulate or collect data on other forms of policy engagement. Moreover, the CRA data do not indicate the target of charities' political activities, so it is not possible to correlate the source of government funding (federal, provincial, or regional/municipal) with the level of government that charities aim to influence.<sup>6</sup> The CRA data on political activities also need to be interpreted with caution as they are marked by misreporting, under-reporting, over-reporting, and different understandings of the law (see Blumberg, 2012; Lasby & Courdeau, 2016). Moreover, charities' understandings of the CRA regulations and their assessment of the risks and benefits of reporting spending on political activities

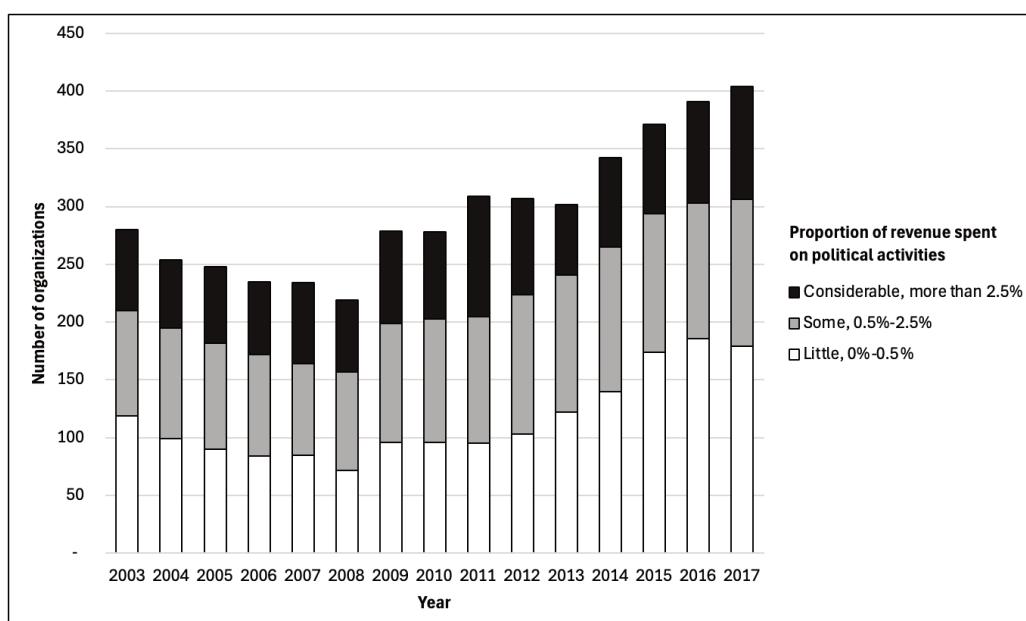
also changed over time, so apparent temporal patterns may indicate changes in reporting rather than actual increases or decreases in political activities.

### Independent and dependent variables

*Spending on political activities:* The dependent variable predicted in this analysis is a binary assessment (i.e., yes/no) of whether an organization reported spending on political activities in a given year between 2003 and 2017. Within the dataset, a total of 1,489 charities reported political activities in at least one year, with a total of 4,453 observations of political activities. It is important to highlight that only a very small proportion of Canadian charities ever reported any spending on political activities. Moreover, of the charities that did report spending on political activities, most reported allocating only a small proportion of their revenue to those activities. Figure 1 shows that from 2003 to 2017, about two-thirds of the charities that reported any political activity indicated that they spent less than 2.5 percent of revenue on those political activities, with only one-third reportedly spending more than 2.5 percent of revenue.

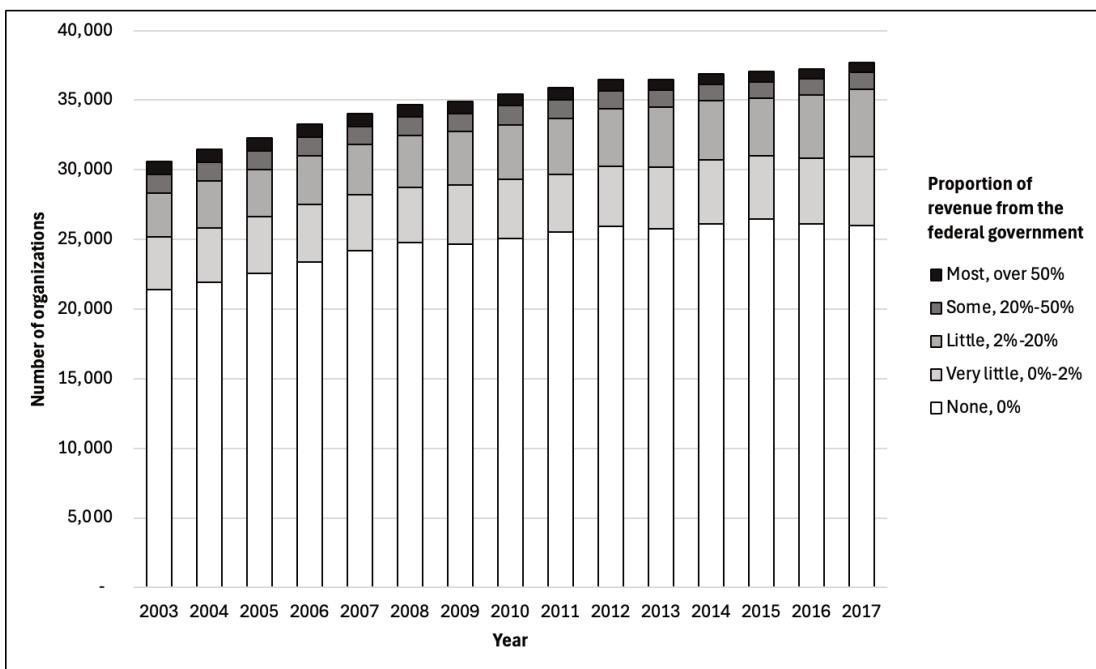
The authors first considered analyzing spending on political activities as a categorical variable, divided into three roughly equal categories: “little” (less than 0.5% of revenue), “some” (0.5% to 2.5% of revenue), and “considerable” (more than 2.5% of revenue). However, the findings from this analysis were not significantly different from the binary analysis of whether charities reported spending on political activities at all. This statistical observation correlates with findings from interviews with charity leaders, who explained that the primary risk calculation for charities was whether to spend and report on political activities, with the amount spent and reported as a secondary consideration (Cameron & Munro, 2025). As one charity leader put it, “the perception of risk was very far below 10% [the proportion allowed by CRA regulations]” (interview with Cameron, 2016). In this context, the authors simply examined whether charities reported any spending on political activities (yes/no).

**Figure 1: Proportion of organizational revenue spent on political activities, excluding organizations with no political activities, 2003–2017**



*Proportion of government funding:* The independent variable used in this analysis is funding from the federal government. While some studies examine government funding simply as a dichotomous variable (yes/no), more insightful analyses examine the proportion of a charity's total revenue from government. Salamon's widely cited research used three categories: little government funding (0–20%), some government funding (21–50%), and most funding from government (51% and above) (Salamon, 2002). The authors first considered mirroring Salamon's (2002) revenue thresholds. However, as data was explored, it emerged that for most Canadian charities that received federal funding, this money represented less than 2 percent of their total revenues. Considering the skew of this data, the authors added an additional category to capture those organizations reporting "very little" (0–2%) of their revenue from the federal government. The authors also ran the analysis with government revenue as a continuous variable and found there was no statistical significance, so they retained the four categorical variables for the analysis. Figure 2 illustrates the number of organizations that reported government funding each year, based on the authors' categorization.

**Figure 2: Proportion of organizational revenue from the federal government, 2003–2017**



### Control variables

Alongside the independent variable, we also introduced four control variables: 1) organization size, 2) location in Canada, 3) political party in power, and 4) charitable sector.

*Organization size:* Quantitative studies indicate that organization size is an important predictor of policy engagement by charities, with larger organizations more likely to report policy engagement than smaller ones (Grasse, Ward, & Miller-Stevens, 2021; Pekkanen & Smith, 2014; Salamon, 2002). This analysis measures charity size by revenue. The authors divide charities into three categories, based on their revenue, using the methodology applied in other Canadian research (Dicks, Paras, Martel, Johnson, & Davis, 2024; Tomlinson, 2016) and adjusted for inflation: small organizations

(revenue of CAD\$100,000 to \$1 million; 78.4% of observations); medium organizations (revenue of CAD\$1 million to \$10 million; 17.4% of observations); and large organizations (revenue over CAD\$10 million; 4.2% of observations). As explained above, charities with revenue under \$100,000 were removed from the dataset as the CRA does not require them to submit information on the source of government funding.<sup>4</sup>

*Location in Canada:* Some studies have found that charities based in capital cities are more likely to lobby governments than those located elsewhere (Grasse, Ward, & Miller-Stevens, 2021; DeVita, Nikolova, & Roeger, 2014; Suárez & Hwang, 2008). We categorized charities based on their location inside or outside Canada's National Capital Region (NCR), the cities of Ottawa and Gatineau, using postal code data included in CRA information returns. Approximately 4 percent of the observations in the dataset are in the NCR, with the remaining 96 percent located elsewhere in Canada.

*Political party in power:* Interviews with charity leaders in Canada suggested that the political party forming the federal government was a significant factor in charities' decisions about whether, how, and how much to engage in policy advocacy (Cameron & Munro, 2025). Specifically, many charity leaders reported that they were more cautious about engaging in outsider advocacy and reporting "political activities" during the Conservative majority government of Stephen Harper (2011–2015), which was widely perceived as hostile to charities that criticized government policy (Beeby, 2014). Some charity leaders also noted that they were less concerned about the repercussions of reporting political activities following the election of the Trudeau majority government in 2015. The period covered by this study (2003–2017) includes four different government configurations: 1) Liberal majority governments of Jean Chrétien (2003) and Justin Trudeau (2016–2017), 2) Liberal minority government of Paul Martin (2004–2005), 3) Conservative minority government of Stephen Harper (2006–2010), and 4) Conservative majority government of Stephen Harper (2011–2015). It is important to note that date ranges are an imperfect proxy for government in power, as many other factors also coincided with the same time periods, such as economic changes.

*Sectors of charities:* Some studies examine differences between sub-sectors of charities (e.g., Child & Grønbjerg, 2007; Salamon, 2002). In our analysis we examine variations in the four major categories of charities recognized by the CRA: 1) relief of poverty (20.5% of observations in the dataset), 2) advancement of education (14.4% of observations), 3) advancement of religion (41.2% of observations), and 4) other purposes beneficial to the community (23.9% of observations)—which includes sub-categories such as healthcare, upholding human rights, environment, animal welfare, arts, and public amenities (CRA, 2003b). As noted above, the authors did not examine sub-sectors below these four categories because they were not consistently applied across charities.<sup>6</sup>

This analysis examines the relationship between the proportion of revenue that charities received from the federal government and whether they reported spending on political activities. This was done using a categorical variable that considers federal revenue as a proportion of total organizational revenue. Random-effects longitudinal logistic regression was used. The random-effects model accounts for unobserved correlation and heterogeneity among repeated observations of organizations over time. The authors first explored the data using a bivariate analysis of just the dependent variable (Did the organization report any political activities? Yes/no) and the independent

variable (What proportion of the organizational revenue came from the federal government?). After running the bivariate model, the authors then introduced control variables.

The first two models within this analysis examined the receipt of federal government revenue and reported political activity in the same year, following the model of most other research, which examines the relationship at a fixed point in time. However, the study's 15-year dataset also enables an examination of reported political activities both in the same year and the year after charities received federal funding, making it possible to test whether receipt of government funding in one year influences reported political activities in the following year. As Table 2 makes clear, the differences between reported political activities in the same year (Model 2) and the year after federal funding (Model 4) are very small. The discussion in this article refers only to the analysis of data on political activities and federal funding in the same year (Model 2), to be consistent with other research.

As the final step in this analysis, the authors considered the relationship between federal government revenue and reported political activity for each size of organization. This involved re-running the multivariate models, introducing an interaction term for organizational size and federal government revenue, and then calculating predicted likelihoods of reporting political activity at each size and revenue configuration.

## FINDINGS

Table 1 explores the relationship between reported political activity by charities and the proportion of their revenue from the federal government. The key finding is that overall, the likelihood of reporting political activities was higher for charities with federal funding than those without it. Charities that received funding from the federal government were 1.46 to 1.77 times more likely to report political activities than organizations that received no federal government funding. However, the relationship between federal funding and reported political activity varied significantly by organization size and the relative dependence of charities on federal government funding. Large charities were 4.45 times more likely to report political activities than small charities, while medium-sized charities were only slightly more likely (1.29 times) than small charities to report political activity. For charities of all sizes, the likelihood of reporting political activities declined once they reached a certain threshold of dependence on federal funding. As Figure 3 demonstrates, for medium and large charities, the likelihood of reporting political activities peaked when federal funding represented 2–20 percent of their revenue. For small charities, the likelihood of reporting political activities was highest for those with 20–50 percent of their revenue from the federal government (see Figure 3).

Turning to the other control variables, the analysis found that charities located in the National Capital Region (NCR) were more than twice as likely to report political activities as those situated elsewhere, as predicted by other research. This finding is perhaps unsurprising as charities may have chosen to locate their head office in the NCR precisely to facilitate access to federal funding and to influence federal policy.

Looking at the temporal patterns related to the political parties in power, the analysis indicates that charities were 1.27 times more likely to report political activities under Liberal majority governments (2003, 2016–2017) than the Conservative majority government (2011–2015). This finding provides

Table 1: Descriptive statistics<sup>a</sup>

Variable	Observations, all years		Organizations, all years	
	Number of observations	Percent of observations	Number of organizations	Percent of organizations
<i>Any political expenditures?</i>				
No	520,076	99.2%	52,750	99.8%
Yes	4,453	0.8%	1,489	2.8%
<i>Received federal funding</i>				
No	369,847	70.5%	46,632	88.3%
Yes	154,682	29.5%	25,022	55.8%
<i>Proportion of revenue from federal government</i>				
None, 0% of revenue	369,847	70.5%	46,632	88.3%
Very little, 0–2% of revenue	64,113	12.2%	15,765	29.8%
Little, 2–20% of revenue	58,706	11.2%	14,201	26.9%
Some, 20–50% of revenue	19,351	3.7%	5,216	9.9%
Most, more than 50% of revenue	12,512	2.4%	3,326	6.3%
<i>Organization size</i>				
Small (revenue of CAD\$100,000 to CAD\$1M)	411,295	78.4%	47,332	89.6%
Medium (revenue CAD\$1–10M)	91,125	17.4%	11,869	22.5%
Large (revenue over CAD\$10M)	22,109	4.2%	2,488	4.7%
<i>Location</i>				
Outside of national capital region	505,310	96.3%	51,032	96.6%
Within national capital region	19,219	3.7%	1,880	3.6%
<i>Political party in power</i>				
Conservative majority (2011–2015)	182,861	34.9%	43,618	82.6%
Conservative minority (2006–2010)	172,322	32.9%	41,939	79.4%
Liberal majority (2003, 2016–2017)	105,592	20.1%	45,292	85.7%
Liberal minority (2004–2005)	63,754	12.2%	34,366	65.0%
<i>Sector</i>				
Relief of poverty	107,582	20.5%	10,508	19.9%
Advancement of education	75,646	14.4%	8,440	16.0%
Advancement of religion	216,134	41.2%	22,020	41.7%
Other purposes beneficial to the community	125,167	23.9%	14,822	28.1%

Note: <sup>a</sup>these descriptive statistics represent the full 15-year dataset. Because some charities moved between categories from year to year, there are instances where organizations are double-counted in the organizational totals for the variables represented in this Table.

**Table 2: Relationship between reported political activities and receipt of federal government revenue, same year and one-year lag**

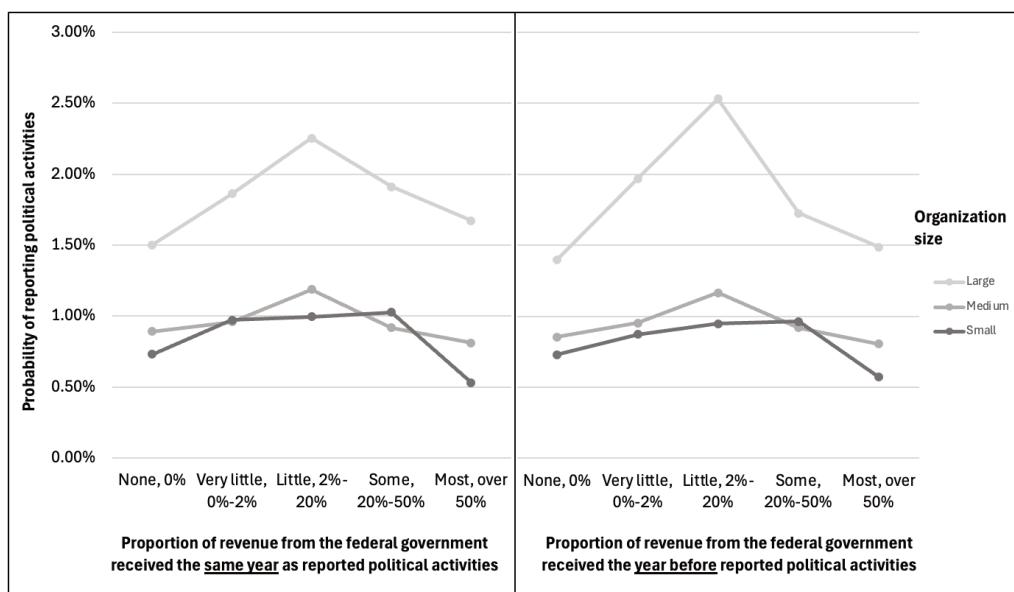
Variable	Receipt of federal funding same year as political activities		Receipt of federal funding the year before reported political activities	
	Model 1 (Bivariate)	Model 2 (Multivariate)	Model 3 (Bivariate)	Model 4 (Multivariate)
<i>Proportion of revenue from federal government</i>				
None, 0% of revenue	rg	rg	rg	rg
	(. )	(. )	(. )	(. )
Very little, 0–2% of revenue	1.66*** (0.13)	<b>1.46***</b> <b>(0.12)</b>	1.55*** (0.14)	1.40*** (0.13)
Little, 2–20% of revenue	2.06*** (0.16)	<b>1.77***</b> <b>(0.14)</b>	1.96*** (0.18)	1.76*** (0.16)
Some, 20–50% of revenue	1.76*** (0.21)	<b>1.50***</b> <b>(0.18)</b>	1.62*** (0.23)	1.54** (0.22)
Most, more than 50% of revenue	1.01 (0.18)	<b>0.75</b> <b>(0.14)</b>	1.00 (0.21)	0.87 (0.18)
<i>Organization size</i>				
Small (revenue of CAD\$100,000 to \$1 million)		rg		rg
		(. )		(. )
Medium (revenue of CAD\$1–10 million)		<b>1.29**</b> <b>(0.11)</b>		1.33** (0.13)
Large (revenue over CAD\$10 million)		<b>4.45***</b> <b>(0.66)</b>		4.41*** (0.72)
<i>Location</i>				
Outside of NCR		rg		rg
		(. )		(. )
Within NCR		<b>2.83***</b> <b>(0.58)</b>		2.85*** (0.65)
<i>Political party</i>				
Conservative majority (2011–2015)		rg		rg
		(. )		(. )
Conservative minority (2006–2010)		<b>0.66***</b> <b>(0.04)</b>		0.67*** (0.04)
Liberal majority (2003, 2016–2017)		<b>1.27***</b> <b>(0.07)</b>		1.43*** (0.09)
Liberal minority (2004–2005)		<b>0.74***</b> <b>(0.06)</b>		0.65*** (0.07)

Table 2 (continued)

Variable	Receipt of federal funding same year as political activities		Receipt of federal funding the year before reported political activities	
	Model 1 (Bivariate)	Model 2 (Multivariate)	Model 3 (Bivariate)	Model 4 (Multivariate)
<i>Charitable category</i>				
Relief of poverty		<b>rg</b>		<b>rg</b>
		( . )		( . )
Advancement of education		<b>0.42***</b>		<b>0.56***</b>
		(0.06)		(0.09)
Advancement of religion		<b>0.24***</b>		<b>0.35***</b>
		(0.03)		(0.05)
Other purposes beneficial to the community		<b>1.09</b>		<b>1.30*</b>
		(0.12)		(0.16)
lnsig2u	22.33***	32.32***	28.57***	23.85***
	(0.41)	(0.53)	(0.51)	(0.48)
Observations	524529	524529	403342	403342

Notes: Exponentiated coefficients; Standard errors in parentheses; \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , rg = reference group; rg ( . ) indicates the reference group for each variable, which has a value of 1 and no standard error; lnsig2u represents the logged variance of the random effect

Figure 3: Probability of reporting political activities by organization size and proportion of funding from the federal government in the same year and year before reported political activities



some evidence of the “advocacy chill” that many charities reported under the Conservative government, although not to the extent that some analysis suggested (see Beeby, 2014; Kirkby, 2014; Mulé & DeSantis, 2017). Interestingly, charities were more likely to report political activities during the Conservative majority government of 2011–2015, which increased funding to the CRA to conduct audits of political activities, than during the previous minority Conservative government (2006–2010). This difference may reflect increased reporting of political activities resulting from greater awareness of the CRA regulations and fear of the consequences of misreporting, rather than any real increase in spending on political activities.

Finally, considering the CRA’s four main classifications of charities, Table 2 shows that those involved in poverty relief and “other purposes beneficial to the community” were significantly more likely to report political activities than those involved in the advancement of religion or the advancement of education.

## DISCUSSION

Analysis of the CRA data offers important insights into the relationships between government funding and the kinds of contentious, outsider advocacy that other empirical studies and theoretical explanations suggest charities with government funding are likely to avoid. The analysis found that charities with some government funding were significantly more likely than charities with no government funding to report spending on political activities. The analysis also highlights the ways that organizational size and relative dependence on government funding correlated with reported spending on political activities.

Reflecting on these findings points to some important nuances in the ways that different theoretical perspectives explain advocacy by charities. The finding that receipt of federal funding increased the probability that a charity would report spending on political activities supports the claims of resource mobilization theory that access to resources is a crucial factor shaping policy engagement by charities and nonprofits. The specific causal relationships, however, are not clear, as federal government funding typically cannot be used for policy advocacy. It may be that federal funding helped to increase the overall revenue of charities, enabling them to use other sources of revenue for political activities. Following the logic of the paradigm of partnership, receipt of federal funding might also be an indicator that charities are engaged with at least some areas of federal policy, and thus more likely to use their resources to try to influence policymaking. At the same time, the finding that the probability of reporting political activities declined after reaching a certain threshold of dependence on federal funding highlights the insights of resource dependence theory, which emphasizes the strategic risk calculations that accompany different sources of revenue.

Specifically, the analysis of the CRA data suggests that, beyond a certain threshold of federal funding as a proportion of total revenue, which varied by organization size, charities became more risk-averse toward forms of policy advocacy that involved public calls to action. The CRA data does not allow for reflection on the claims of channelling theory that government funding makes charities more likely to choose insider over outsider advocacy, as the CRA did not collect any data that represented insider approaches. However, the analysis does highlight the importance of the relative

dependence on government funding in explaining charities' behaviour. Small proportions of government funding did not reduce the likelihood that charities would use public calls to action in their advocacy repertoires, but dependence on federal funding for more than 50 percent of revenue did appear to channel charities away from public calls to action, a key component of outsider advocacy, as also found in other research (Child & Grønbjerg, 2007).

The CRA data also indicate that the dampening effects of federal funding on outsider advocacy kicked in at lower levels of relative dependence on federal revenue for medium and large charities than for small ones. Theoretically, this finding is important because it highlights how organizational size influences charities' risk perception and shapes their relative agency to navigate the tensions between advocacy and government funding (Witjas, Hanegraaff, & Vermeulen, 2020; Acheson, 2014; Beaton, MacIndoe, & Wang, 2020). Empirically, the finding also offers clear warning lights for charity leaders about how increased dependence on government funding is likely to weaken their willingness to engage in outsider forms of advocacy involving public calls to action.

The clear effect of organizational size on the likelihood of reporting political activities points to the premises of resource mobilization theory that consistent and strategic advocacy requires financial resources. Charity leaders in Canada have highlighted the challenges of raising funds for advocacy and pointed to a pattern in many large charities that focus primarily on service provision and, through that work, are able to generate unrestricted funds that can be used to support policy engagement and advocacy (Cameron & Munro, 2025). Small and even medium-sized organizations face greater challenges in generating unreserved funds to pay staff for advocacy work. The effects of organizational size on the relationship between government funding and political activities are also significant because much of the critical literature on charities argues that as they become larger and more professionalized, they also become more risk-averse and less likely to engage in contentious forms of policy advocacy (Choudry & Kapoor, 2013). The analysis of the CRA data in this article suggests the opposite. Larger charities were more likely to report political activities than medium and small charities at all levels of government funding.

The CRA data also reveals some important outliers from the more general patterns. Some charities of all sizes reported both high levels of federal government funding and significant spending on political activities. For example, the Canadian Mental Health Association, the Canadian AIDS Society, and Inter Pares consistently reported receiving more than 50 percent of their revenue from the federal government and reported spending 2–6 percent of their revenue on political activities in at least two years between 2003 and 2017.<sup>7</sup> These charities clearly found ways to resist the dampening effects of heavy dependence on government funding on political activities that could offer valuable lessons for other organizations, something worth exploring through further research.

## CONCLUSION

While the Canada Revenue Agency's regulations on political activities by charities were widely criticized by charities, they also provide a valuable set of data that offers important insights into how government funding influences the strategic decision-making of charities about outsider forms of public policy advocacy involving public calls to action. Although the CRA stopped regulating and

reporting on the political activities of charities in 2019, the authors believe that this data continues to provide important insights into policy engagement by Canadian charities. First, the data offer important baseline indicators for future research on policy engagement by charities in Canada. Moreover, the results of a parallel study and other survey research indicate that the change in CRA regulations had few effects on charities' decisions about public policy engagement (Cameron & Munro, 2025; Phillips & Nguyen, 2024). Rather, other, non-regulatory factors such as access to funding for advocacy work, staff capacity, mission statements, strategic plans, and risk calculations about government funding were all more important in shaping their decisions about whether and how to engage with public policy issues (Cameron & Munro, 2025). In sum, the 2019 change in CRA regulations did not substantively change the strategic calculations of Canadian charities about public policy engagement; the same factors that shaped those decisions before the regulatory change continued to shape them afterwards. In this context, we believe that our analysis of the relationships between government funding and outsider advocacy by charities from 2003 through 2017 continues to provide insight into the ways that government funding influences strategic decision-making by charities about whether and how to engage with public policy issues.

These insights are important because outsider advocacy engages citizens in public policy debates and can help to bring about policy change on issues that require public pressure in ways that insider strategies cannot. We hope that these insights from analysis of the CRA data on the "political activities" of charities will inform future research and deliberation by charities themselves about the consequences of different funding sources on whether, how, and how much they engage in policy advocacy.

## NOTES

1. Strategic advocacy typically involves a range of activities, including research, networking, member engagement, lobbying government, and presentations to government committees (see Phillips & Nguyen, 2025; Sussman, 2007).
2. Bloodgood and Tremblay-Boire (2017) point out that many nonprofit organizations in Europe are able to use European Union funding to support advocacy aimed at national governments, pointing to the possibility that some charities in Canada may use funding from one level of government to support advocacy at another level. Because the CRA data does not indicate what level of government charities directed their political activities toward, we are not able to analyze this possibility.
3. For example, survey-based research on policy engagement by charities and nonprofits examines a range of variables that are not captured or cannot be reliably measured with the CRA data, including organizational leadership (Mason, 2015), organizational structure (Beaton, MacIndoe, & Wang, 2020), charitable sector or policy field (Anheier, Toepler, & Sokolowski, 1997; Child & Grønberg 2007), levels of competition among charities (Beaton, MacIndoe, & Wang, 2020; Suárez & Hwang, 2008), features of the population that a charity services (MacIndoe & Whalen, 2013; Zhang & Guo, 2021), specific forms of government funding, such as grants versus payment for services (Anheier, Toepler, & Sokolowski, 1997), numbers of volunteers (Schmid, Bar, & Nirel, 2008), and concerns about organizational survival (Witjas, Hanegraaf, & Vermuelen, 2020).
4. Since 2009, the CRA's T-3010 information return requires only charities with revenue over \$100,000 to complete Section 6, which distinguishes between federal, provincial, and regional/municipal funding. Charities with revenue under \$100,000 are required only to complete Section D, which only asks for overall government funding. While some charities with revenue under \$100,000 did complete Section 6, they were not required to do so, and many

did not. As a result, the relationship between federal government funding and reported political activities cannot be reliably measured for charities with revenue less than \$100,000.

5. Bank of Canada inflation calculator: <https://www.bankofcanada.ca/rates/related/inflation-calculator/>
6. CRA sector codes and sub-codes could be used as indicators of the jurisdictional focus of charities. However, we found that these codes are not reliable indicators of jurisdictional focus as charities with very similar missions and activities use different codes while charities with quite different activities use the same codes (see Canadian Charity Law, n.d.).
7. Anomalous examples of charities that reported high federal revenue and high spending on political activities:

Charity	Year	Proportion of revenue from the federal government	Proportion of revenue spent on political activities
Canadian AIDS Society	2006 2007	56.98% 70.80%	3.16% 6.6%
Canadian Mental Health Association	2003 2006 2007 2017	63.01% 50.39% 53.20% 52.21%	4.40% 6.27% 6.06% 3.48%
INTER PARES	2013 2014	69.08% 70.69%	4.25% 2.72%

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## ABOUT THE AUTHORS

**John Cameron** is Professor of International Development Studies at Dalhousie University. Email: john.cameron@dal.ca

**Heather Dicks** is Postdoctoral Fellow at Mount Saint Vincent University. Email: heather.c.dicks@gmail.com

**Liam Swiss** is Professor of Sociology at Acadia University. Email: liam.swiss@acadiau.ca

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## Appendix 1: Methodological notes

**Dataset:** The dataset analysed in this research captures the Canada Revenue Agency (CRA) data from all registered charities in Canada that submitted annual T-3010 information returns for the period 2003 through 2017. The CRA provided the data in response to an information request.

Our analysis focuses on the years 2003 through 2017 when the CRA's policy guidance CPS-022 on "Political Activities" was in effect (CRA, 2003). Formally, the CRA's 2003 guidance on "Political Activities" was not replaced with the new guidance on "Public Policy Dialogue and Development Activities" until January 2019 (CRA, 2019). However, court rulings and government announcements in 2018 sent clear messages to charities that the 2003 guidance would change, and as a result, many charities that had reported "political activities" consistently in previous years did not report on them in 2018, making data from 2018 unreliable. To control for reduced rates of reporting in the last year (2018), when it was clear that the regulations would soon end, we analyzed data for the 15-year period from 2003 through 2017 (inclusive).

Prior to our analysis we removed extreme outliers in reported spending on political activities and reported federal government revenue, which were likely cases of misreporting. After applying the exclusion criteria (see below) to the CRA data, we were left with a dataset of 524,529 observations, representing an average of 34,969 charities per year.

The dollar values in our analysis are adjusted for inflation using the Bank of Canada's inflation calculator, with 2016 as the base year.<sup>1</sup>

**Exclusion criteria:** We excluded charities from the CRA dataset based on five sets of criteria.

**Headquarters outside Canada:** Within the data we found there were a small number of charities that reported addresses for headquarters outside of Canada; we exclude these from our analysis.

**Charities with reported revenue below \$100,000:** Charities with revenue below \$100,000 are not required to provide information to the CRA about what level of government any government revenue comes from. Specifically, charities with revenues under \$100,000 are not required to complete Schedule 6 of the CRA T-3010 form, which disaggregates government revenue by level of government. Instead, they are required to complete only Section D of the T-3010 form, which asks charities to report on government revenue but not on the level of government. Although some charities with revenue below \$100,000 do complete Schedule 6, we determined that this data is not reliable as some charities completed Schedule 6 while others did not. For this reason, we excluded all charities with reported revenue below \$100,000 from the analysis. We excluded these charities before adjusting the data for inflation as the CRA's \$100,000 revenue threshold for completing Schedule 6 has been constant since 2003.

**Public and private foundations:** Our dataset includes only charitable organizations, based on their CRA designation, and excludes public and private foundations. While all three categories of organizations are regulated by the CRA and included in CRA data, public and private foundations commit significantly fewer resources to policy engagement—largely because of their mandates, which are

typically to fund other organizations rather than engage in their own charitable activities (see CRA, n.d.). In 2023, the CRA reported a total of 85,955 organizations with charitable status in Canada. Of those, 74,544 were “charitable organizations,” 6,549 were private foundations and 4,862 were public foundations (CRA, 2023).

*Spending on political activities beyond CRA limits:* We included only those observations with reported spending on political activities that falls within the CRA limits, including the provisions in Section 9 of CPS-022 that allowed small charities to allocate up to 20 percent of revenue on political activities and for charities to overspend in a given year using unused funds from the previous two years (CRA, 2003, Section 9 and 9.1).<sup>2</sup> Given that reporting expenditures that exceeded the guidelines could trigger a CRA audit, we presumed that reported spending beyond the CRA limits was a result of data mis-entry or misunderstanding of the guidelines. Of the 4,453 observations of reported expenditures on “political activities,” 111 reports were equal to or greater than 100% of reported total annual expenditures by the organization. For example, one religious organization reported spending on “political activities” equal to more than three times its total annual expenditures. A further 325 reports indicated reported expenditures on “political activities” equal to 50-99% of annual expenditures. Many of these reports were from organizations such as school boards, churches and museums that would presumably have significant fixed operational costs, including staff salaries, that would make it difficult to allocate such high proportions of funding to “political activities.” For example, a school board reported spending 86% of \$117 million on “political activities” despite also reporting 3,500 full time employees. To account for these apparent cases of data mis-entry or misunderstanding of the CRA regulations, in our dataset we applied the CRA restrictions to organizational spending on political activities, and we omitted from our analysis all observations that fell outside of these restrictions.

*Federal funding over 100 percent of revenue:* The final exclusion criteria is related to the amount of revenue received by the federal government. We excluded 338 observations in which organizations reported more than 100% of their revenue coming from the federal government. These represented extreme outliers and were likely instances of misreporting. To avoid skewing our data and analysis, we omitted these instances from our study.

It is worth noting that over two thirds of the observations that we excluded from the dataset were submitted by organizations with 2 or fewer staff members (full time and/or part time). For organizations with very small or no staff, it is likely that the CRA T-3010 form was completed by a non-specialist or unpaid volunteer. It is easy to understand how nonspecialized staff and unpaid volunteers could make data entry errors and/or misunderstand CRA regulations.

After applying the exclusion criteria to the CRA data, we were left with a dataset of 524,529 observations. Our revised data set includes a total of 154,682 observations, in which an organization reported receiving federal government funding in a given year, and 4,453 observations of reported expenditures on political activities over the period 2003–2017.

For 20,758 of these organizations (39.3% of organizations in our dataset) we have data for every year between 2003-2017.

## INDICATORS AND CONTROL VARIABLES

### Measurement and categorization of the size of charities

We measure charity size by annual revenue, as reported to the CRA. We chose revenue rather than expenditures because the CRA (2003) guidelines specified a spending limit of ten percent of annual revenue on “political activities”, so revenue was the key denominator used in calculations of political activities spending by the CRA and by Canadian charities. Existing literature on Canadian charities also uses revenue as an indicator of charity size (see Cameron & Munro, 2025; Dicks, Paras, Martel, Johnson, & Davis, 2024). To be consistent with analysis from the CRA and other research on Canadian charities, we retained revenue as the indicator of charity size.

After removing all charities with revenues of under CAD \$100,000 (not adjusted for inflation), we divide charities into three categories based on their revenue in each reporting year (adjusted for inflation), using the methodology applied in other Canadian research and by many Canadian charities (Dicks, Paras, Martel, Johnson, & Davis, 2024; Tomlinson, 2016): Small organizations (revenue of CAD \$100,000 to \$1 million)—78.4% of observations; Medium organizations (revenue of CAD \$1 million to \$10 million)—17.4% of observations; and Large organizations (revenue over CAD \$10 million)—4.2% of observations.

Some studies also measure charity size by the number of staff. However, the data on staff numbers available from the CRA are frequently incomplete so we did not use this measure.

### Measurement of government funding

The independent variable we use in our analysis is funding from the federal government. While some studies examine government funding simply as a dichotomous variable (i.e., yes / no), more insightful analysis examines the proportion of a charity’s total revenue from government. Salamon’s widely cited research used 3 categories: Little government funding (0-20%), Some government funding (21-50%), and Most funding from government (51% and above) (Salamon 2002, p. 11). We first considered mirroring Salamon’s (2002) revenue thresholds; however, as we explored the data, we found that for most Canadian charities that received federal funding in the CRA data, this money represented less than 2% of their total revenues. Considering the skew of this data, we added an additional category to capture those organizations reporting “very little” (0–2%) of their revenue from the federal government.

We also ran the analysis with government revenue as a continuous variable and found there was no statistical significance. This is not surprising given the non-linear relationship we discovered through our categorical analysis. As a result, we retained the categorical variables for our analysis.

### Definition of “political activity”

The CRA’s policy guidance CPS-022 on “Political Activities” (CRA, 2003) provided a specific definition of “political activity” as any activity that “explicitly communicates a call to political action (that is, encourages the public to contact an elected representative or public official and urges them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country)” (CRA 2003, Section 6.2). Educational activities, information sharing, lobbying and other instances of policy engagement that did not involve a “call to political action” were not con-

sidered as political activities and not regulated by the CRA. Canadian charities were responsible to understand the definition of “political activity” and to report their annual expenditures on activities that fell within that description.

### Location in Canada

Some studies have found that charities based in capital cities are more likely to lobby governments than those located elsewhere (Grasse, Ward & Miller-Stevens, 2021; DeVita, Nikolova, & Roeger, 2014; Suárez & Hwang, 2008). We categorized charities based on their location inside or outside Canada’s National Capital Region (NCR), the cities of Ottawa and Gatineau, using postal code data included in CRA information returns. Approximately 3% of the organizations in our dataset are located in the NCR, with the remaining 97% located elsewhere in Canada.

### Political party in power

Interviews with charity leaders in Canada suggested that the political party forming the federal government was a significant factor in decisions by charities on whether, how, and how much to engage in policy advocacy (Cameron & Munro, 2025). Specifically, many charity leaders reported that they were more cautious about engaging in outsider advocacy and reporting ‘political activities’ during the Conservative majority government of Stephen Harper (2011 to 2015), which was widely perceived as hostile to charities that criticized government policy. Some charity leaders also noted that they were less concerned about the repercussions of reporting political activities following the election of the Trudeau majority government in 2015. The period covered by our data (2003–2017) includes four different government configurations: 1) Liberal majority governments of Jean Chrétien (2003) and Justin Trudeau (2016–2017), 2) Liberal minority government of Paul Martin (2004–2005), 3) Conservative minority government of Stephen Harper (2006–2010), and 4) Conservative majority government of Stephen Harper (2011–2015).

We categorized the CRA data into time periods as imperfect indicator of the federal political party in power. It is important to note that the time period categorizations may reflect many other factors beyond the political party in power, including but not limited to changes in awareness of the regulations on political activities and related changes in reporting those activities, as well as financial events that may have affected charities’ revenues and willingness to spend resources on political activities.

### Sectors of charities

Some studies examine differences between sub-sectors of charities and nonprofits (e.g., Salamon, 2012). In our analysis we examine variations in the four major categories of charities recognized by the CRA, which are grounded in the 1891 Pemsel decision of the English House of Lords, which in turn was grounded in the preamble to the Charitable Uses Act of 1601, also known as the Statute of Elizabeth. The Pemsel decision was the foundational case in the common law definition of charity in Canada and established four legally recognizable purposes for charities (Pemsel Case Foundation, 2021): 1) Relief of poverty (20.5% of observations in our dataset), 2) Advancement of Education (14.4% of observations), 3) Advancement of Religion (41.2% of observations), and 4) Other purposes beneficial to the community (23.9% of observations)—which includes sub-categories such as health-care, upholding human rights, environment, animal welfare, arts, and public amenities (CRA, 2003b).

The CRA data includes sub-categories that might be used to group charities into areas of federal and provincial jurisdiction as a way of predicting the level of government their policy advocacy would be most likely to focus on. However, we found that these sub-category codes do not provide consistent categorization for organizations that may otherwise appear to be very similar. For example, within the international development sector (generally a federal responsibility), charities indicated three of the four possible charitable purposes. Within each of these charitable purposes, international development charities selected a wide range of categories and sub-categories that overlapped with charities that worked primarily in areas of provincial jurisdiction. For these reasons, we limited our analysis only to the four categories of charitable purposes. This means that while we can identify the source of government revenue (federal, provincial or regional/municipal), we are unable to identify the jurisdictional focus of the charities in our data set. That is, we can identify which charities received federal government funding but we do not know whether the primary activities and the focus of any policy advocacy aligns with federal or provincial jurisdiction.

### Same year and lag year comparisons

Most of the existing quantitative research we reviewed examined the relationships between government funding and policy engagement by charities in the same year; that is, funding and policy engagement are viewed as simultaneous. It does not consider the possible temporal lag in the relationship; that is, an organization that received government funding in year one might be more reluctant to engage in or report political activities in year two. For this reason, we examine the relationship between receipt of government funding and reported political activities in both a) the same year funding is received, and b) the year following receipt of funding ('lagging' the independent variables). As Table 2 makes clear, there were no significant differences between the same year and lag year models.

### Level of the state that advocacy targets

Neumeyer, Schneider and Meyer (2015) found that Austrian nonprofits working at the national level reported devoting more resources to advocacy than nonprofits working at the local level. Our analysis is not able to examine the level of government that charities target in their policy advocacy because the CRA data does not include this information and we could not develop reliable proxy indicators (see comments above on Sectors of Charities).

## REGRESSION ANALYSIS

Our analysis examines the relationship between the proportion of revenue that charities received from the federal government and whether they reported spending on political activities. To do this, we used a categorical variable that considers federal revenue as a proportion of total organizational revenue. We used random-effects longitudinal logistic regression. The random-effects model accounts for unobserved correlation and heterogeneity amongst repeated observations of organizations over time and allows us to compare differences between organizations based on time-invariant characteristics like organization sector, location, etc. We first explored the data using a bivariate analysis of just the dependent variable (did the organization report any political activities? yes/no) and the independent variable (what proportion of the organizational revenue came from the federal government?). After running the bivariate model, we then introduced our control variables.

Our first two models within this analysis examined the receipt of federal government revenue and reported political activity in the same year. The third and fourth models in our analysis consider the relationship between political activities and federal government revenue received in the preceding year; for these models, we lagged the independent variable (government revenue).

As the final step in our analysis, we considered the relationship between federal government revenue and reported political activity for each size of organization. For this, we re-ran our multivariate models, introducing an interaction term for organizational size and federal government revenue, and then calculated predicted likelihoods of reporting political activity at each size and revenue configuration. Looking at these models, we also made similar predictions for the other control variables, to better illustrate the likelihood of reporting political activity for each category of our controls.

## ADDITIONAL TABLES

**Table 1: Predicted likelihood of reporting political activity (post-estimation results)**

Variable	Likelihood of reporting political activity
<i>Federal government funding that year as a percent of total revenue</i>	
None, 0%	0.8%
Very little, 0%-2%	1.0%
Little, 2%-20%	1.1%
Some, 20%-50%	1.0%
Most, over 50%	0.6%
<i>Organization size</i>	
Small (revenue of CAD \$100,000 to CAD \$1M)	0.8%
Medium (revenue CAD \$1M-\$10M)	0.9%
Large (revenue over CAD \$10M)	1.7%
<i>Location</i>	
Outside of national capital region	0.9%
Within national capital region	1.4%
<i>Political party in power</i>	
Conservative majority (2011-2015)	0.78%
Conservative minority (2006-2010)	1.05%
Liberal majority (2003, 2016-2017)	0.74%
Liberal minority (2004-2005)	0.92%
<i>Sector</i>	
Relief of poverty	1.12%
Advancement of education	0.73%
Advancement of religion	0.55%
Other purposes beneficial to the community	1.24%

**Table 2: Predicted likelihood of reporting political activity based on size of organization and percent of total revenue received from the federal government (post-estimation results)**

Proportion of revenue from the federal government	Organization size		
	Small (revenue of CAD \$100,000 to CAD \$1M)	Medium (revenue of CAD \$1 million - \$10 million)	Large (revenue over CAD \$10 million)
<i>Receipt of federal funding <u>same year</u> as political activities</i>			
None, 0%	0.73%	0.89%	1.50%
Very little, 0%-2%	0.97%	0.96%	1.86%
Little, 2%-20%	0.99%	1.19%	2.25%
Some, 20%-50%	1.03%	0.92%	1.91%
Most, over 50%	0.53%	0.81%	1.67%
<i>Receipt of federal funding <u>the year before</u> reported political activities</i>			
None, 0%	0.73%	0.85%	1.40%
Very little, 0%-2%	0.87%	0.95%	1.97%
Little, 2%-20%	0.95%	1.16%	2.53%
Some, 20%-50%	0.96%	0.92%	1.73%
Most, over 50%	0.57%	0.81%	1.49%

## NOTES

1. Bank of Canada inflation calculator: <https://www.bankofcanada.ca/rates/related/inflation-calculator/>
2. CPS-022 specified: “Registered charities with less than \$50,000 annual income in the previous year can devote up to 20% of their resources to political activities in the current year. Registered charities whose annual income in the previous year was between \$50,000 and \$100,000 can devote up to 15% of their resources to political activities in the current year. Registered charities whose annual income in the previous year was between \$100,000 and \$200,000 can devote up to 12% of their resources to political activities in the current year” (Section 9). It also specified: “To allow it to overspend in one year, a registered charity can use the unclaimed portion of resources it was allowed to spend but did not spend on political activities from up to two preceding years” (Section 9.1).