



**Written Submission for the Pre-Budget Consultations
in Advance of the Upcoming Federal Budget**

By:

The Association of Fundraising Professionals (AFP)

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**Association of Fundraising Professionals
260 King Street East
Suite 412
Toronto, ON M5A 4L5
416-941-9212**

List of AFP Recommendations

- 1. Designate a federal department—ideally the Ministry of Innovation, Science and Economic Development—to have economic policy responsibility for charities and nonprofits.**
- 2. Support the Imagine Canada request for an additional \$3.75 billion for a Nonprofit Stabilization Fund to support charities and help them with core operating costs and other basic expenses to ensure these organizations can continue to provide services and programs to their local communities.**
- 3. Allocate \$1 million to Statistics Canada annually for the purpose of collecting, analyzing and disseminating comprehensive data about the nonprofit sector.**
- 4. Permanently eliminate the capital gains tax on charitable gifts of private company shares and real estate.**

The Association of Fundraising Professionals (AFP) appreciates the opportunity to provide our recommendations to the Standing Committee on Finance. This year, the Committee has asked Canadians for their ideas about measures the federal government could take to restart the Canadian economy, as it recovers from the COVID-19 pandemic. We believe any discussion of restarting the Canadian economy needs to include the nonprofit sector.

About Canada's Nonprofit Sector

Canada's nonprofit sector is instrumental to the country's economic success and productivity. The sector is one of the five largest industries in our country, representing more than 160,000 charities and other types of nonprofit organizations. It accounts for more than 8 percent of Canada's Gross Domestic Product and more than 10 percent of the labour force, or approximately 2.4 million workers (*Statistics Canada*).

Canada's nonprofit sector is the 2nd largest in the world. Registered charities alone, which number 86,000 organizations from coast to coast, generated annual revenues of \$279 billion and total expenditures of \$261 billion in 2017 (*Blumberg's Snapshot of the Canadian Charity Sector*).

In addition, the impact of Canada's nonprofit sector is even greater when you consider many of its services indirectly support the economy and countless other industries across the country. The sector strengthens our country's economy in a myriad of ways, including keeping the population healthy, finding new cures for diseases, helping workers who are between jobs, and providing workplace training and education.

Impact of COVID-19 on the Sector

The pandemic has had and will continue to have a dramatic effect on charitable giving and nonprofit operations and staffing. According to AFP's COVID-19 Response Survey, 70% of organizations expect to raise fewer funds in 2020 compared to 2019. 2021 is not expected to be any better, with 68% believing that giving will be lower that year compared to a typical year. In addition, 31% of charities have been forced to lay off staff, and 16% of organizations have cut staff pay.

AFP's numbers parallel findings from Imagine Canada's research which found that by late April almost 70% of charities had experienced revenue losses, with the average loss being 30%.

At the same time, Canadians believe in the importance of the country's nonprofit sector. Nearly eight in ten Canadians (78%) say they are confident in the organizations that make up the nonprofit sector, higher than government or the private sector. Even more critically, three in four Canadians (75%) continue to agree that the nonprofit sector plays an important role in society to address the needs not being met by the government or the private sector.

Our nonprofit sector is a critical aspect of our economy and our country's financial and social wellbeing. Accordingly, AFP encourages the federal government to enact four recommendations that will bolster the sector's recovery from the pandemic, both from a financial perspective and from an operations and administrative perspective, and in turn, advance all of Canada's recovery as well.

Recommendation 1: Designate a federal department—ideally the Ministry of Innovation, Science and Economic Development—to have economic policy responsibility for the nonprofit sector.

The growth of Canada’s nonprofit sector has not been planned or coordinated in any significant way. Apart from a few legislative leaders and public advocates, there has been no major agency or body that has worked consistently to champion the sector. There is often lack of clarity or overlap in the responsibility and role of different bodies regarding the sector.

In particular, the pandemic has shown acutely that this lack of coordination can hinder the sector in trying to bring about a unified sector response, promulgate best practices and ensure all nonprofits have access to government tools and resources. Various programs aimed at helping different business and other sectors recover did not consider the unique aspects of the nonprofit sector. While some, such as the Canada Emergency Wage Subsidy recognized that charities should be treated differently, others did not or had to be changed haphazardly in order to include the sector.

Canada would benefit from having a federal department tasked with overall responsibility for creating an enabling environment for the sector. AFP’s proposal is to have the nonprofit sector fall under the purview of the Ministry of Innovation, Science and Economic Development, preferably under a designated nonprofit secretariat. The mandate of the secretariat could be to support initiatives intended to encourage charitable giving and developing data-driven policies that will foster a stronger nonprofit sector.

Numerous benefits will flow from being housed in one agency that has the mandate to promote the sector. Issues such as modernization and data collection, which have hampered the sector’s progress in the past, can occur in a collaborative environment with consistency in actors and process. In addition, with just one agency to interact with, AFP and other nonprofit sector leaders can have a greater impact in implementing and promulgating best practices to our members and other organizations in the sector.

Finally, we would note that this proposal has minimal costs for the government while likely leading to decreased costs and greater efficiency overall in the long-term.

Recommendation 2: Support the Imagine Canada request for an additional \$3.75 billion for a Nonprofit Stabilization Fund to support charities and help them with core operating costs outside of wages and other basic expenses to ensure these organizations can continue to provide services and programs to their local communities.

While not part of Imagine Canada’s Pre-Budget Consultations recommendation, AFP is highly supportive of its proposal for an additional \$3.75 billion to fund a Nonprofit Stabilization Fund.

Imagine Canada has estimated that registered charities will see financial losses this year of between \$9.5 billion and \$15.7 billion and layoffs of between 118,000 and 194,000 people. These figures do not include nonprofit service providers or social enterprises, for whom financial and employment data is not as readily available.

A stabilization fund would be used to cover critical expenses, and continue essential, frontline operations during the pandemic, among other items, and focus on emergency funding for community

food programs, volunteer management, personal protective equipment and emergency support for vulnerable people served by community.

We would note that current proposal for funding—\$3.75 billion—is far less than what was originally requested: \$10 billion. This amount was reduced to reflect government funding provided to specific charities through the Emergency Community Support Fund and through the COVID-19 relief programs that offer salary and rent subsidies. This funding has been essential for our sector but with the shutdowns across the country, charities have suffered due to events and programs being forced to cancel. The government is under a lot of pressure to provide funding to many different areas of the economy. AFP believes this figure shows an understanding of the reality of the situation while still providing a level of funding that can have a positive impact on the sector and its ability to deliver services during the pandemic.

Recommendation 3: Allocate \$1 million to Statistics Canada annually for the purpose of collecting, analyzing and disseminating comprehensive data about charities and nonprofits.

AFP notes above in Recommendation 1 that enhanced data collection, analysis and dissemination flows smoothly from placing the nonprofit sector under one “home in government.” We, therefore, support the federal government funding Statistics Canada with \$1 million annually to re-engage in its critical work to gather data about the nonprofit sector, a proposal endorsed by others in the sector, including Imagine Canada.

AFP would note that just recently, Senator Ratna Omidvar called on the charitable sector to “collect and track diversity data on its governance and use it for evidence-based action and change.” She has also called on government in general to collect data by race because it would, according to experts, help in the treatment and recovery from the crisis. Her comments underscore the need for this kind of data collection.

The government needs to take the lead, because it cannot make good decisions or engage in healthy debate without accurate and up-to-date information about the sector’s operations and current status. For example, we will not begin to know the true impact that COVID-19 has had on the sector, or how to enact short-term or long-term legislative reforms that might help the sector recover, until we have the appropriate data.

To that end, we support the federal government funding Statistics Canada with \$1 million annually to re-engage in its critical work to gather data about the nonprofit sector.

Recommendation 4. Permanently eliminate the capital gains tax on charitable gifts of private company shares and real estate.

Our fourth recommendation to enhance the economy and help charities recover more quickly from the pandemic is more immediate: the elimination of the capital gains tax on gifts of private company shares and real estates.

The federal government removed the capital gains tax on donations of securities to most charities in 2006, making these donations more attractive to potential donors than they had been previously. AFP encourages the federal government to now turn its attention to private company shares, appreciated land and real estate. This provision had widespread support throughout the nonprofit sector and had received strong backing from all parties several years ago.

Eliminating the capital gains tax would remove a huge barrier to these types of gifts and make it far more likely and appealing for donors to give private company shares, land and real estate to charities. In fact, there is significant potential and interest from Canadian donors for these gifts.

It has been estimated that this proposal would enable the charitable sector to access an estimated \$170 to \$225 million of incremental funding from the private sector with a tax revenue cost to the government of only \$50 to \$65 million.

The cost to government is very low, while the potential to help charities recover more quickly from the pandemic through these kinds of gifts cannot be understated. We urge the government to finish the job it started when it removed the capital gains tax on gifts of securities and move to extend the provision to private company shares, land and real estate.

AFP appreciates this opportunity to submit recommendations for the Standing Committee on Finance. Should members of the committee have questions about these proposals, please contact AFP at 613-407-7169 or Lisa.Davey@afpglobal.org.

Background

The Association of Fundraising Professionals (AFP) represents 29,000 individual fundraisers and charities that raise more than \$115 billion annually for charities around the world—equivalent to nearly one-third of all charitable giving in North America. In Canada, AFP's 3,300 members in over 21 chapters work for more than 1,800 charities across the country and raise billions of dollars every year.

These dollars are not raised in a vacuum but in accordance with AFP's *Code of Ethical Standards*—first developed in 1964 and one of the few ethical codes that is enforced. Our code, which sets the highest standards for ethics in fundraising, has been used as the foundation for subsequent codes of conduct in many different countries around the world. AFP also has convened more than 30 national fundraising associations from across the globe to draft the International Statement of Ethical Principles, an additional series of values and standards for the international fundraising community.