



Fundraising Policy Overview

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Canada Revenue
Agency

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du Canada

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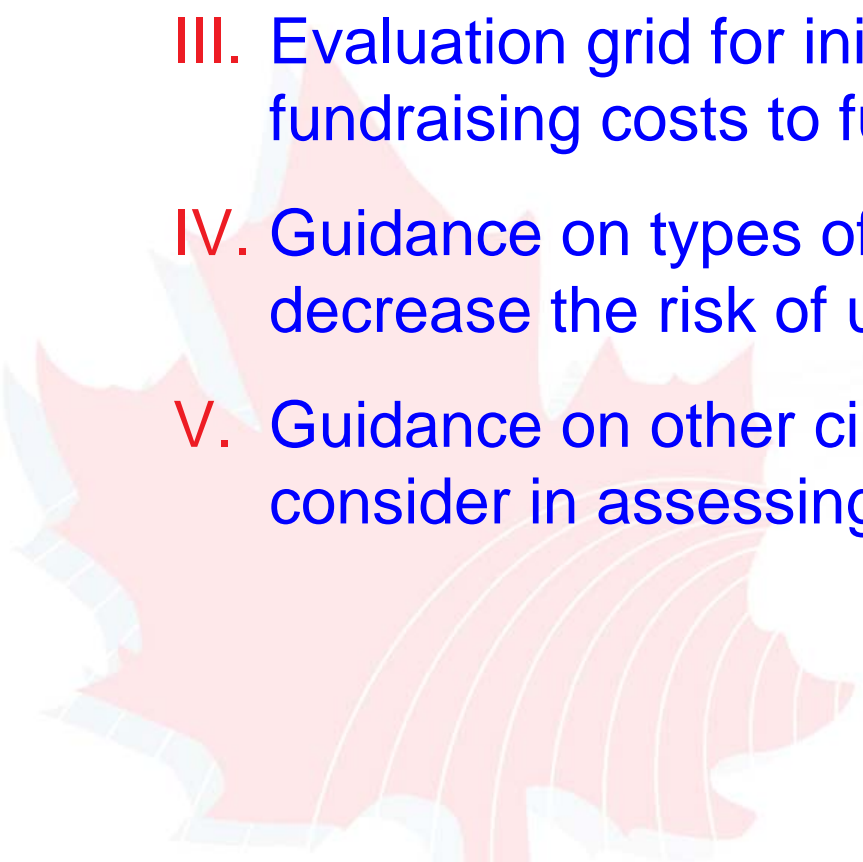
Objective & strategies

- Ensure compliance to protect integrity of tax system and maintain trust in the charitable sector
 - Enhance the consistency and transparency of CRA's approach to compliance concerns related to fundraising
 - Expand available information on ITA and common law constraints on charities' fundraising
 - Encourage self-assessment by charities of compliance of fundraising activities

Principles guiding policy

- Applies to all registered charities
- Applies to both receipted and non-receipted fundraising
- Measures to exercise control over fundraising is proportionate to the risk associated with the activity
- Most user-friendly possible approach, although law and issues are complex

Five key parts of policy

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- I. Guidance on prohibited conduct
 - II. Guidance on appropriate T3010 allocation of expenditures for activities involving fundraising
 - III. Evaluation grid for initial evaluation of ratio of fundraising costs to fundraising revenues
 - IV. Guidance on types of conduct that increase or decrease the risk of unacceptable fundraising
 - V. Guidance on other circumstances CRA may consider in assessing acceptability of fundraising

Prohibited fundraising conduct

- a.** Illegal or contrary to public policy
(committing or abetting statutory breach/detrimental to public interest)
- b.** A main, prevailing or independent purpose of the charity
(not ancillary and incidental to charitable work)
- c.** Disproportionate or excessive private benefit
(unacceptable amount or % of private gain for individuals or corporations)
- d.** Harm outweighs public benefit
(misrepresentations erode integrity of tax system/trust in charities)

Allocation of expenses (1)

- As a general rule, activity expenses must be allocated as T3010 fundraising expenditures unless the activity would have been undertaken without the fundraising element

Tests:

- Substantially all resources devoted to an activity advance an objective other than fundraising; or
- Traits (resources, content, defining features) of an activity don't indicate that the main objective was fundraising

Allocation of expenses (2)

- In some instances, even if the activity would not have been undertaken without the solicitation of support, charities may be allowed to allocate a portion of the costs other than to fundraising expenditures, where it is clearly demonstrated that the activity furthers one of the charity's purposes.
- In these situations, expenses may be allocated proportionately.
- Generally excludes telemarketing and mail out campaigns

Evaluation grid

Calculated based on total fundraising costs/total fundraising revenues in fiscal period

Rarely acceptable $>70\%$ (charity nets $< 30\%$)

Generally not acceptable 50-70% (charity nets 30-50%)

Potentially not acceptable 35-50% (charity nets 50-65%)

Generally acceptable 20-35% (charity nets 65-80%)

Acceptable $< 20\%$ (charity nets $> 80\%$)

Conduct considered as decreasing risk

- Prudent planning processes
- Appropriate procurement processes
- Good staffing processes
- On-going management and supervision of fundraising practice
- Adequate evaluation processes
- Use made of volunteer time and volunteered services or resources
- Disclosure of fundraising costs, revenues and practice

Conduct considered as increasing risk (1)

- Sole-sourced fundraising contracts without proof of fair market value
- Non-arms length fundraising contracts without proof of fair market value
- Fundraising initiatives or arrangements that are not well-documented
- Unnecessary purchase, non-arms length purchase or purchase not at fair market value, of fundraising merchandize
- Activities where most of the gross revenues go to contracted non-charitable parties

Conduct considered as increasing risk (2)

- Commission-based fundraiser remuneration or payment of fundraisers based on amount or number of donations
- Fundraisers receiving disproportionate compensation relative to non-fundraisers
- Total resources devoted to fundraising exceeding total resources devoted to program activities
- Misrepresentations in fundraising solicitations or disclosures about fundraising or financial performance
- Combined fundraising and charitable program activity, where contracted to a non-charitable party or compensated based on fundraising performance

Other considerations

- a. Small charities or charities with limited appeal.
- b. Charities that are investing resources in donor acquisition or other types of fundraising in which the return will not be realized in the same year in which the investment is made
- c. Charities whose main or major purpose is to make gifts to qualified donees, or to a registered charity or to other registered charities and as a result have a different cost structure than charities that conduct their own activities
- d. Charities whose activities include lotteries or charitable gaming that is regulated provincially
- e. Charities engaging in cause-related marketing initiatives
- f. Charities with extraordinary spending, relative to their size, on infrastructure to ensure compliance with this fundraising policy

Implementation

- Consultation: website posting of draft policy for comment
- Education: charities will be informed through information sessions, road shows, web postings, etc. of CRA's expectations about their fundraising practice
- Audits: incremental roll out with transition phase to permit charities to adjust to guidelines & allow charities to begin self-assessing their practices

Consultation Draft of the Fundraising Policy can be found at:

http://www.cra-arc.gc.ca/tax/charities/consultation_policy-e.html

Thank you.