



Fundraising Policy Overview

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Goal & strategies

- Ensure highest degree of 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 registered charities' fundraising
 - Encourage self-assessment of fundraising compliance

Principles guiding policy

- Applies to all registered charities
- Applies to both receipted and non-receipted fundraising
- Burden and costs of measures to exercise control over fundraising is proportionate to the risk of unacceptable conduct
- Most user-friendly possible approach sought, even through law and issues in this area are complex

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Five key parts of policy

- I. Guidance on appropriate T3010 allocation of expenditures for activities involving fundraising
- II. Guidance on prohibited conduct
- III. 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

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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)

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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

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Allocation of expenses (2)

- In some circumstances, an activity may serve a multiple purpose and have fundraising as its main objective. Subject to certain limitations, charities may split the allocation of the costs for these activities where they demonstrably further a non-fundraising purpose

Examples:

- an event/activity raises revenue and provides training to charitable beneficiaries; or
- an event/activity raises revenues and is of therapeutic value to charitable beneficiaries
- This does not include "public awareness" campaigns delivered in conjunction with third party telemarketing or direct mail fundraising or similar initiatives

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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 35.1-49.9% (charity nets 50.1-64.9%)

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

Acceptable < 20% (charity nets > 80%)

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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

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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

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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

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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

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Implementation

- Consultation: website posting of draft policy for comment until June 30, 2008
- 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

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Beginning April 1, 2008, a link to the Consultation Draft of the Fundraising Policy can be found at:

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

Thank you.

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