

Fundraising: Best Practice Indicators

Introduction (Slide 1)

This module discusses how your registered charity can manage its practices to reduce the risk of unacceptable fundraising activities using the best practice indicators.

These indicators are one of the factors that CRA considers in evaluating fundraising activities.

Indicators (Slide 2&3)

The best practice indicators include:

- ❖ an established prudent planning process
- ❖ on-going management and supervision of fundraising practices
- ❖ good staffing processes
- ❖ appropriate procurement processes
- ❖ an adequate evaluation process
- ❖ use of volunteer time and volunteered services and resources
- ❖ disclosure of fundraising costs, revenues, and practices

Planning Process (Slide 4)

A registered charity should have an established prudent planning process that includes:

- ❖ understanding provincial and federal regulatory requirements for fundraising activities
- ❖ researching the required resources and costs and the possible revenues from the type of fundraising activity to be undertaken
- ❖ considering other types and methods of fundraising activity

On-going Management (Slide 5&6)

Your charity is responsible for its fundraising activities regardless of who performs the activities. It needs to exercise control and manage the activities on an on-going basis.

This should include developing and implementing policies and procedures that address:

- ❖ the types and scope of fundraising activities and their federal and provincial regulatory requirements
- ❖ acceptable and unacceptable fundraising conduct
- ❖ the request for solicitation process, how the script is to be approved and who will do it
- ❖ periodic internal audit of fundraising activities, revenues, and expenditures
- ❖ regular monitoring of the receipting process
- ❖ monitoring the practice and performance of third party fundraising contractors, including reviewing the records and finances of the activity
- ❖ follow-up with donors on the representation and their satisfaction

Good Staffing Process (Slide 7)

Your charity should have a process in place to make sure that the fundraising staff does not receive excessive benefits.

The salary and benefits of the fundraising staff should reflect fair market value.

Procurement Process (Slide 8)

In selecting a contractor for fundraising, your charity should establish a procurement process that can result in securing the contract at a fair market value.

- ❖ This could mean holding a competitive bidding and tendering process.
- ❖ In dealing with a non-arm's length party, it is very important that the cost be reasonable and not more than fair market value.
- ❖ The procurement process, negotiation, and approval of the contracts should be documented.

Evaluation Process (Slide 9)

Evaluation or assessment of the results of an activity is an integral part of good management practice. In fundraising activities, evaluation provides a basis for accountability to your donors and the public.

- ❖ At a minimum, CRA Guidance should be used in assessing your charity's fundraising performance.
- ❖ Your charity may develop its own evaluation guidelines. Results of the assessment can guide you in planning future fundraising activities. It will also provide the basis for disclosure to the public or the donors.

Volunteer Time and Services (Slide 10)

Volunteers in your fundraising activities are unpaid individuals who help in researching, organizing the activity, and/or directly soliciting donations.

Using volunteers reduces the cost of fundraising. It demonstrates the charity's commitment to minimize fundraising costs. This may be taken into consideration by the CRA in assessing a charity's fundraising activities.

Tax receipts cannot be issued for volunteers' time and services.

Disclosure (Slide 11&12)

Required Disclosure

- ❖ Your charity is required to report fundraising and finance information on its annual Form T3010 under the *Income Tax Act*.
- ❖ A charity may be subject to other reporting requirements depending on its legal structure and provincial jurisdiction. More provincial and territorial government contact information is available at www.cra-arc.gc.ca/tx/chrts/prvnecs/menu-eng.html

Additional Disclosure

Your charity has a responsibility to disclose information on fundraising costs and revenues to the public and specifically to your donors and prospective donors.

- ❖ The amount and type of information should be in relation to the fundraising activity being undertaken.
- ❖ To be meaningful, disclosure must be accessible and accurate.
- ❖ A charity may consider disclosing information before, during, and after a fundraising initiative.
- ❖ It is useful to establish policies on disclosure.

Notice (Slide 13)

Information in this module is provided for general educational purposes and not as legal or accounting advice. Consult a lawyer or accountant for professional advice.

Information is accurate as of May, 2009.

For changes after this date, consult Canada Revenue Agency.