

## Fundraising: Questionable Practices

### *Introduction (Slide 1)*

The Canada Revenue Agency is concerned about some fundraising practices. Presence of these practices may lead to review by the CRA.

This module lists and discusses these practices to assist you in complying with the fundraising Guidance.

### *Contracting Fundraisers (Slides 2&3)*

Questionable practices related to contracting fundraisers:

- ❖ sole-source fundraising contracts without proof of fair market value

The contract was not open to competition. The charity entered into an agreement with the only party that was given the opportunity to make a proposal.

- ❖ non-arm's-length fundraising contracts without proof of fair market value

Non-arm's-length contracts are contracts given to individuals who are related to someone in the charity by blood, marriage, adoption, or common law relationships, or individuals with similar interests, such as those with close business ties.

- ❖ activities where most of the gross revenues go to the contracted non-charitable parties
- ❖ commission-based remuneration to the fundraiser or payment based on the amount or number of donations

### *Other Practices (Slides 4&5)*

Other questionable practices:

- ❖ Total resources devoted to fundraising are greater than the total resources for charitable program activities.

This could indicate that fundraising is the main object of the charity. Fundraising can only be a secondary objective. It is a means to help the charity further its charitable object.

- ❖ Misrepresentation in disclosure of fundraising or financial performance.

Misrepresentation done by volunteers or a third party is still the responsibility of the charity.

- ❖ Purchases of unnecessary fundraising merchandise.

In buying and giving gift incentives, a charity has to demonstrate that the incentives will result in an increase in donations.

- ❖ Purchases of fundraising merchandise not at fair market value.

- ❖ Purchases of fundraising merchandise from suppliers who are not at arm's-length

If the fundraising merchandise is purchased from a supplier not at arm's-length, the merchandise must be at fair market value or lower.

- ❖ poorly documented fundraising initiatives

Fundraising initiatives have to be documented, that is, there are records of planning meetings, written contracts, and other records showing that the charity applied risk management practices and the fundraising guidelines.

## *Notice (Slide 6)*

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.