

Fundraising: Ratios

Introduction (Slide 1)

This module identifies the ratio of fundraising costs to fundraising revenue as stated in the CRA Guidance.

This ratio is one of the factors that the CRA will look at in assessing a charity's compliance with the CRA guidelines.

Other Factors (Slides 2&3)

Other factors that the CRA considers are:

- ❖ the size of the charity
- ❖ causes with limited appeal
- ❖ donor acquisition and planned giving campaigns
- ❖ best practice indicators
more information is available at www.charitycentral.ca/site/?q=node/495
- ❖ questionable practices
more information is available at www.charitycentral.ca/site/?q=node/498

Ratios (Slide 4)

Ratio of costs to revenues over fiscal period	CRA Approach
Under 35%	Generally acceptable and unlikely to generate questions or concerns.
35% and above	The CRA will determine if there is a trend of high fundraising costs. The higher the ratio, the more likely it is that there will be concerns and a need for a more detailed assessment of expenditures.
Above 70%	Rarely acceptable without an explanation and rational to show that the charity is in compliance with the fundraising requirements.

Reprinted from Guidance on Fundraising by Registered Charities
www.cra-arc.gc.ca/tx/chrts/plcy/cps/cps-028-eng.html

Size of Charity (Slide 5)

The CRA will look at the size of a registered charity to determine whether its fundraising costs are reasonable.

- ❖ given the size of the community it serves or works with
- and**
- ❖ whether the charity is able to show that costs are adequately controlled

Causes with Limited Appeal (Slide 6)

For registered charities working on causes that have limited appeal, the CRA may be prepared to accept higher fundraising costs as long as:

- ❖ the cost can be shown as reasonable, given the cause that the charity is advancing.
- ❖ the charity can show that the costs are being adequately controlled.

Note: Charities working on causes with limited appeal may include those charities researching relatively unknown diseases or those working with causes that are less popular with the public.

Donor Acquisition & Planned Giving Campaigns (Slide 7)

Donor acquisition and development and planned giving campaigns are longer-term strategies. They generally do not produce major results in the year the expenses are incurred. So, the CRA may be prepared to consider higher fundraising costs in the initial years of these activities.

The charity needs to show that it is using the recommended best practices for fundraising to control and reduce costs.

The CRA does expect the costs of donor development to decline over time as the donor base and fundraising activity become more established.

Notice (Slide 8)

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.