

Fundraising: Substantially All Test

Introduction (Slide 1)

The Substantially All Test is one of two tests used to determine whether an activity is a fundraising activity. Once this is determined, the expenses incurred for this activity can then be reported accordingly on the charity's annual T3010 form.

Information on the other test -- the **Four Part Test** -- can be found at www.charitycentral.ca/site/?q=node/494

What is the Substantially All Test (Slide 2)

The Substantially All Test is used to determine if an activity is a fundraising activity and if the resources used for this activity can be allocated to other activities.

- ❖ For the purpose of this test, the Canada Revenue Agency (CRA) considers “substantially all” to be 90 per cent or more.
- ❖ Resources include all assets, human resources (staff, volunteers, directors, contractors), and any other expenses used to complete an activity.

If the activity does not satisfy this test, the Four Part Test should then be applied.

How is it Determined (Slide 3&4)

The Substantially All Test looks at:

- ❖ the proportion of fundraising content to the rest of the activity
- ❖ the prominence of the fundraising content and
- ❖ the resources devoted to it.

If your charity can demonstrate that 90 per cent or more of the resources in an activity were devoted to further an objective other than fundraising, none of the expenditures has to be reported on the T3010 as fundraising expenses.

Example

A charity's programming staff person gives a two-hour workshop on how to maintain good mental health. During her presentation, she states that her project is partly funded by the government and partly through donations and fundraising events. She then mentions lightheartedly that donation is always welcome. The statements take less than five minutes and are done in the context of the mental health project.

This workshop is part of a program that furthers the charity's object and less than 10 per cent of the resources were spent on fundraising, that is, on requesting donations.

So none of the workshop costs have to be considered as fundraising expenses.

Exceptions (Slide 5&6)

Exception #1

Sometimes, even when the proportion of the fundraising content in an activity is less than 90 per cent, but it is prominent through placement and repetition, the activity does not pass the Substantially All Test. In this case, some or all of the expenditures have to be reported as fundraising expenses.

Exception #2

In the case of a joint fundraising activity with a non-charitable partner, the Substantially All Test does not apply. So, even if the charity contributes 10 per cent or less of the total resources to the activity, it still has to report the amount it contributes to the activity as fundraising expenses.

Example - Exception #1

Charity JIHM provides public education on bullying. It sends out a weekly e-newsletter. Each weekly newsletter covers tips on every aspect of bullying and its prevention. At the bottom of each newsletter, there are two lines asking for donations to produce the newsletter. It gives information on how donations can be made.

The content of the newsletter relating to the charitable objectives is more than 90 per cent. Using the Substantially All Test, the charity would not have to report any of the expense as fundraising. But because the request for donation is prominent, that is, repeated weekly, some of the expense - based on its proportion - has to be reported as fundraising expenses on the T3010.

Notice (Slide 7)

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.