



Small charities brace for change

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Summer is normally a quiet time for charities. Board members are on vacation. Donors are hard to reach. Volunteers need a break.

But this year, non-profit agencies across the country are holding emergency meetings to draft responses to Ottawa's proposed funding guidelines. Revenue Canada has set a deadline of Aug. 31.

Most of the big national charities are willing to live with government's tough new rules. But small and medium-sized charities feel as if they're being punished for sins they never committed.

They understand the need to crack down on bogus charities, root out unscrupulous fundraisers and protect Canadians from misleading tactics.

But they are guilty of nothing more than being too informal, too hand-to-mouth, too neighbourly for federal bureaucrats. They don't think Revenue Canada has any understanding of the realities of running a small, local charity.

Most are staffed by volunteers who do a bit of everything – program delivery, fundraising, communications, bookkeeping, special events and troubleshooting. They ask folks for donations at the grocery store. They sell memberships at hockey games and barbecues.

These shoestring operations can't afford to hire fundraisers. Nor can they afford to devote more time and resources to filling out forms and following rules meant for multi-million-dollar philanthropic organizations.

"The one-size-fits-all sweep of the guidelines risks placing in jeopardy many activities that benefit local communities," says the Ontario Non-Profit Network, which represents the 27,000 registered charities in this province. Ninety-nine per cent have revenues of less than \$10 million.

"Small and medium charities cannot be collateral damage as CRA (Canada Revenue Agency) seeks to ensure the integrity of fundraising," the network says in its brief to Ottawa.

The government's new guidelines, issued in May and fleshed out in a 30-page backgrounder in June, propose a numerical grid by which a charity's fundraising would be evaluated:

- If an organization spends more than 70 per cent of donors' money on fundraising, its

expenses would be deemed "rarely acceptable."

- If it spends between 50 per cent and 70 per cent, its outlays would be considered "generally not acceptable."
- If it spends between 35 per cent and 50 per cent, its fundraising practices would be judged "potentially not acceptable."
- If it spends less than 35 per cent, no alarm bells would go off.

The penalties for excessive fundraising costs would range from a warning to revocation of a registered charity's status (meaning it could no longer issue official tax receipts and its donors would not be eligible for charitable tax credits or deductions.)

Revenue Canada stresses that its grid would be an "initial assessment tool" only. Officials would take into account an organization's size, its record, its mix of volunteers and paid staff, the type of work it does and any other extenuating circumstances before making a determination.

Despite these assurances, the directors of small charities are worried and confused. Would their bake sales no longer be considered a charitable activity? Would their volunteers have to compartmentalize their daily activities and submit time sheets? Would they have to classify membership drives, community dinners and thank-you notes to supporters as fundraising activities? Would they jeopardize their charitable status if they spent money on a fundraiser that flopped?

"It is doubtful that volunteers or even staff of the average charity would be able to fully comprehend the complexities and intricacies contained in this document (the background)," say lawyers Terrance Carter and Theresa Man in an analysis of the proposed policy. Their firm, Carter and Associates, specializes in charity law.

The government had hoped to finalize its policy by year-end, but given the possibility of a fall election and the extension of the consultation period (the original cut-off date was June 30), that seems unlikely.

Nevertheless, non-profit organizations are scrambling to get their submissions in by the end of the month. They want to see the bad apples removed from the barrel as much as anyone else. But they fear that some of the best fruit will be damaged in the process.

Carol Goar's next column will appear Aug. 27.