



Imagine  Canada

#### About Imagine Canada

Imagine Canada is a national charitable organization whose cause is Canada's charities and nonprofits. We strengthen the sector's collective voice, act as a forum and meeting place and create an enabling environment in which organizations contribute to building stronger communities.

#### Contact Us

2 Carlton St., Suite 600,  
Toronto, ON M5B 1J3

**PHONE:** (416) 597-2293 or

**TOLL-FREE** at 1-800-263-1178

**E-MAIL:** [info@imaginecanada.ca](mailto:info@imaginecanada.ca)

[www.imaginecanada.ca](http://www.imaginecanada.ca)

GUIDE  
to

# Giving

Canada has one of the largest charitable sectors in the world. More than 85,000 organizations help to address some of the most intractable economic, social and environmental challenges Canada faces. They engage and empower citizens, provide communities with vital social, family and community services, and contribute to quality of life through arts and culture, sport, environmental protection, health, education and religious practice. Donors are essential to ensuring that charities can continue to offer these vital services.



If you have questions about giving to charity, take a few minutes to review the information below. If you still have questions, please contact us.

## 1 What should I look for before giving to a charity?

- Charities are regulated by the Canada Revenue Agency (CRA). Visit the CRA website or call 1-800-267-2384 to confirm that the charity in question is registered. Only registered charities have a charitable registration number and can issue tax receipts.

If someone asking for a donation doesn't have the information you need to make a decision, don't feel obligated to give right away.



## Donor Resources

- » Imagine Canada's Ethical Code:  
[www.imaginecanada.ca/ethicalcode](http://www.imaginecanada.ca/ethicalcode)
- » Association of Fundraising Professionals' Fundraising Code of Ethics:  
[www.afpnet.org/ethics](http://www.afpnet.org/ethics)
- » Canada Revenue Agency, the Federal Government Regulator:  
[www.cra-arc.gc.ca/donors](http://www.cra-arc.gc.ca/donors)
- » CanadaHelps, the online giving portal:  
[www.CanadaHelps.org](http://www.CanadaHelps.org)
- » Community Foundations of Canada:  
[www.cfc-fcc.ca](http://www.cfc-fcc.ca)
- » Philanthropic Foundations of Canada:  
[www.pfc.ca](http://www.pfc.ca)
- » United Way of Canada:  
[www.unitedway.ca](http://www.unitedway.ca)
- » Leave a Legacy, advice on giving through your will:  
[www.leavealegacy.ca](http://www.leavealegacy.ca)

- Take the time to learn more about the charity. Visit their website, review their annual reports and financial information or consider volunteering your time. If you can't find the information you're looking for, call the charity. A staff member or volunteer should be more than happy to answer any questions you might have.
- Don't forget to think about the purpose and results of the charity. What is the impact of the charity's programs and services? Do they resonate with you? How will your gift make a difference? Most charities have information on their achievements and results to help you make a decision about donating.
- If someone asking for a donation doesn't have the information you need to make a decision, don't feel obligated to give right away. Ask for a brochure or a website address and tell them you will make up your mind once you have more information.
- If someone asking for a donation makes you feel uncomfortable, pressures you to give or promises more than seems realistic (i.e., a tax receipt for more than you give), just say no.

## **2** How can I find out how much a charity spends on fundraising? Is this regulated?

All charities must file a 'Registered Charity Information Return' or T3010 with the CRA each year. Most of the information in this return is posted online. You can find out how much a charity is spending on fundraising by looking at line 5020 (total expenditures on fundraising). To get a sense of the percentage of funds raised that is spent on fundraising, divide line 5020 by the sum of lines 4500 and 4630. Many charities also provide this kind of information on their website, financial statements or annual report.

In 2009, the CRA released fundraising guidance for charities. The guidance indicates that fundraising costs over 35% can lead to a review (e.g., the CRA might look at costs over several years to see if there is a trend). The higher the ratio, the more likely it is that the CRA will review the charity's fundraising activities. The CRA will take into consideration factors such as the size of the charity, the cause and the type of fundraising campaign that is currently underway (e.g., a charity starting a capital campaign might have higher costs for the first year or two). Costs above 70% will raise concerns with the CRA and the charity will be asked for an explanation.

### 3 How much does Imagine Canada recommend a charity spend on fundraising? How can I be certain that a charity's fundraising costs are reasonable?

Imagine Canada does not provide a specific recommendation as to what ratio or cost per dollar is most appropriate because what is reasonable for one organization or one cause, may not be reasonable for another. There are more than 85,000 charities operating in Canada – all of them are working under different conditions so a one-size-fits-all approach simply doesn't work. Several factors influence fundraising costs:

» **Nature of the cause** – some causes are simply more popular and easier to fundraise for than others.

» **Size of the organization / geographic location** – smaller, more remote charities may have more challenges with fundraising, leading to higher costs.

» **Use of volunteers** – charities that have access to larger numbers of volunteers or highly skilled volunteers may have lower fundraising costs.

» **Types of funds raised** – charities that receive significant government grants or other sources of revenue may not need to rely on more costly forms of fundraising.

» **Types of fundraising used** – Certain types of fundraising are more costly than others. Direct mail and telemarketing tend to be quite expensive whereas sponsorships and bequests are generally less costly. Not all charities are able to raise funds via less costly means, however, and sometimes more expensive types of fundraising offer other benefits such as donor engagement.

» **New and innovative fundraising techniques** can sometimes be more expensive in the short-term but may lead to cost savings over time.

At the end of the day **YOU** must be satisfied that the costs reported are reasonable for the nature of the charity, its mission and its impact.



When evaluating a charity's fundraising costs, keep in mind that there is a cost to doing good – most charities must fundraise in order to operate. Most charities work diligently to keep their costs as low as possible to ensure that the majority of your donation goes to the cause. Some other considerations include:

» Often, **reviewing a three to five-year average of fundraising costs** can give you a more accurate picture of a charity's costs.

» Find out if the charity has joined Imagine Canada's **Ethical Code Program** – by signing on to the Ethical Code, a charity is making a

commitment to transparency and ethical fundraising. Visit Imagine Canada's website to see a list of participating charities.

» Ask if the charity's fundraisers have signed on to the **Association of Fundraising Professionals (AFP) Code of Ethics**.

If you think fundraising costs seem too high, consider calling the charity. It is important to ask questions. Most charities operate transparently and are willing to share information on their fundraising costs with donors.

At the end of the day **YOU** must be satisfied that the costs reported are reasonable for the nature of the charity, its mission and its impact.

#### 4 What are outside fundraisers? Should charities use them?

Charities sometimes hire outside or third-party fundraisers to help them raise funds. In some cases, third-party fundraisers can provide much needed expertise to assist charities. Under certain circumstances, it may be a more efficient and effective way of using limited resources. Some outside fundraisers commit to following ethical guidelines by signing on to the Association of Fundraising Professional (AFP)'s Code of Ethics. Neither Imagine Canada's Ethical Code nor AFP's allows for commission-based payments to fundraisers.

Studies have found that lower administrative costs can limit the effectiveness of charities – so lower costs are not necessarily better.



©2010, Imagine Canada

Copyright for the *Guide to Giving* is waived for charitable, nonprofit and voluntary organizations for non-commercial use, with attribution.

All other rights reserved.

Ask your favourite charity if they participate in Imagine Canada's Ethical Code program.



The Ethical Code Program is generously supported by:

Great-West Life



Canada Life

STRONGER COMMUNITIES TOGETHER™

#### 5 Why do charities spend money on administrative costs or overhead?

Administration or overhead includes a wide variety of costs – everything from rent to computers to accounting systems and salaries. Good governance, including the cost of board meetings which are essential for ensuring the charity's activities are guided and monitored, is also considered administration. Transparency and accountability – including the production of annual reports, financial statements and information on results and impact – cost money. So does screening staff and volunteers who fulfill direct-service roles.

These types of costs are essential to keeping a charity operating. In fact, studies have found that lower administrative costs can limit the effectiveness of charities – so lower costs are not necessarily better. Within the for-profit sector, costs vary widely – anywhere from 15% to over 40%. So, while it is important to understand and consider these costs, donors should focus more on the impact the charity is making in Canada and around the world.

#### 6 How can I find out more about charity salaries?

Some donors are particularly interested in compensation issues. Information on charity compensation (salaries and benefits) can be found in the T3010. The compensation ranges of the top 10 employees are listed in Schedule 3. When reviewing this information, be sure to consider the size, scope and complexity of the charity. For example, some CEOs are managing multi-million dollar organizations or are responsible for child protection and well-being. Compensation should reflect these responsibilities and expectations. It is also important to note that CEO compensation levels are established and approved by a charity's volunteer board of directors, which is responsible for ensuring that a charity's resources are being spent in the most efficient and effective way possible.