

Small and Rural Charities: Making a Difference for Canadians 2008



RC4457



Canada Revenue Agency

Agence du revenu du Canada

Canada 

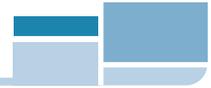


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MESSAGE FROM THE MINISTER

As Minister of National Revenue, I recognize the contribution that the charitable sector makes to the well-being of Canadians. Charities significantly help our communities, and individual Canadians, through their dedication, generosity, and hard work. Many of these charities are small and rely heavily on volunteers to help run their programs. Because of this, they face unique challenges that may make it difficult for them to meet their obligations under the *Income Tax Act*. Rural charities have additional challenges because they often have less access to resources and volunteers.

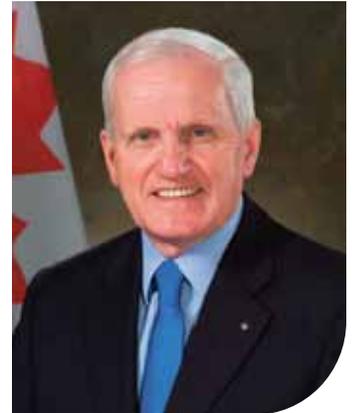
That is why we launched the Small and Rural Charities Initiative. Our goal was to better understand the needs of small and rural charities, identify the issues they face, and find out what the Canada Revenue Agency (CRA) can do to help them meet their obligations.

I believe the Small and Rural Charities Panel has met this goal. This report highlights both the successes and challenges that were identified during the consultations. It also describes what the CRA is doing, or will do, to address the key issues identified in the report. The CRA is committed to the continued improvement of its tools and services so that all charities will have an easier time complying with their obligations.

As the federal regulator for charities, the CRA is responsible for promoting compliance with tax regulations among the charitable sector and ensuring the integrity of the sector. With over 83,000 registered charities in Canada, this is a significant undertaking. By working together, we are confident that the Canadian public will continue to support and have confidence in charities throughout Canada.

I would like to thank all of those who took the time to participate in the Small and Rural Charities Initiative, particularly those who were part of the Panel. The contribution of time, effort, and knowledge has made this initiative a success. I look forward to sharing our accomplishments with you in the months and years to come.

The Honourable Gordon O'Connor, P.C., M.P.
Minister of National Revenue



MESSAGE FROM THE PANEL

We are pleased to present this report to the Minister of National Revenue. The report provides an overview of small and rural charities in Canada and the challenges they encounter, as well as a joint action plan designed to enable these charities to more easily meet their regulatory obligations while focusing on their primary purpose – helping individuals and communities across Canada to enjoy productive and healthy lives.

The action plan we developed collaboratively with the Canada Revenue Agency (CRA) represents a significant contribution toward improving the ability of small and rural charities across Canada to effectively deliver their programs while meeting the legislative and regulatory requirements of the CRA. Once the action plan has been implemented, the challenges faced by this segment of the charitable sector will be reduced and compliance should improve.

We are thankful to have had the opportunity to work directly with the CRA. The collaborative environment allowed us to provide the CRA with insight on real-life experiences and the challenges faced by small and rural charities in Canada. Through this initiative, the CRA has demonstrated a serious commitment to recognizing that small and rural charities have challenges that are different from those faced by other segments of the sector.

We recognize that the CRA already provides a high level of service to the charitable sector. The action plan will allow the CRA to provide specific assistance to small and rural charities as well as to further improve the level of service for the sector as a whole. We have made many suggestions to the CRA and we trust the CRA will be diligent in implementing the action plan as it continues to provide support to the charitable sector.



Standing, (L to R): Andrée Allard, Wilf Manning, Bethany Dykstra, Brian McCauley, Géraldine Desjardins, Claude Déom, Laura Bowes, Lucille Thibault. Seated, (L to R): Enid Corbett, the Honourable Gordon O'Connor, David Balderstone.

COMMISSIONER'S MESSAGE

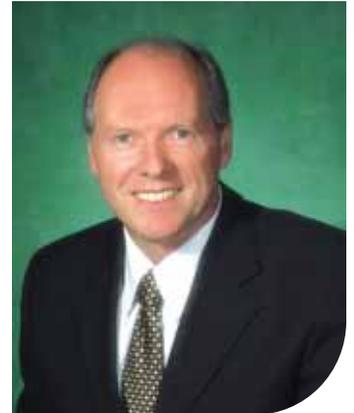
Since its creation, the Canada Revenue Agency (CRA) has strived for excellence in everything it does. This includes serving Canadians by collecting tax, administering benefits, ensuring compliance, and regulating charities. To help ensure that our programs and activities are keeping pace with the needs and interests of Canadians, we consult extensively on an ongoing basis. The Small and Rural Charities Initiative was purposely designed to allow this segment of the voluntary sector to speak directly and clearly to the Minister of National Revenue. The CRA has listened closely to a number of progressive and helpful suggestions for improvement.

Once registered by the CRA, Canadian charities are required to comply with a number of regulations designed to ensure that charities are carrying out their activities in a manner that is consistent with the expectations of the Government and of Canadians. As this report highlights, there are over 47,000 small and rural charities operating in Canada, comprising over 50% of all registered charities. These organizations often have needs and capacities that differ considerably from those of larger charities.

The findings of the consultations will lead to changes aimed at improving services and reducing the administrative burden for small and rural charities. We believe that if charities understand and have better tools to meet their obligations, compliance with the *Income Tax Act* and other regulations will be enhanced which will help all charities.

I am pleased with the report and the constructive and productive relationship that we have built. I am positive that the collaborative joint action plan developed will play an important role in building on this relationship, for the benefit of all Canadians. Charities make an important positive contribution to Canada and it is critical that the CRA provide them with the support they need.

William V. Baker
Commissioner and Chief Executive Officer
Canada Revenue Agency



ABOUT THE REPORT

Small and Rural Charities: Making a Difference for Canadians is the result of consultations undertaken by the Canada Revenue Agency (CRA). It reflects the concerns and challenges of small and rural charities, and is the Small and Rural Charities Panel's report to the CRA.

The report focuses on small and rural charities and describes some of the unique difficulties they face in their day-to-day operations. Some of the anecdotes provided by Panel members illustrate these challenges, as well as highlight the contributions these charities make to our communities, to Canadians and to Canada as a whole.

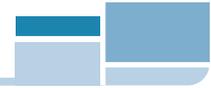
The first section of the report focuses on the Small and Rural Charities Initiative, including the consultation process. The findings describe what was heard during consultations and discussed by the Panel and the CRA in the development of the joint action plan.

The second section of the report outlines the joint action plan developed collaboratively by the Panel members and the CRA. It includes an outline of the work that has been completed, is currently underway, or is a future priority within the CRA. This section also addresses the vast majority of the joint action plan items, including the timeline for implementing these items over the coming years.

The third section provides an overview of the voluntary and charitable sectors and positions small and rural charities within these larger sectors. This section describes the organizations that operate within the sectors, some of the challenges, and their contribution to our communities.

The final section describes how charities are regulated in Canada, both federally and provincially, and provides information on other resources available to the non-profit, voluntary, and charitable sectors. We have provided the information here, in this report, in the hope that many small and rural charities will be able to use it in order to identify local and national resources which are available to them.





SECTION 1: DESCRIPTION OF THE CONSULTATION PROCESS

This is the first time I have been involved and have felt that the smaller charities' concerns have truly been heard. I enjoyed the table discussions and found them to be informative and thought-provoking.

Lethbridge, Alberta,
workshop participant

The group discussions were a good opportunity to compare experiences. The CRA reps were very open to feedback.

Lethbridge, Alberta,
workshop participant

Today's volunteers are older persons. Younger people do not want to get involved. Everyone is too busy.

Trois-Rivières, Québec,
workshop participant

The Canada Revenue Agency (CRA), through the Charities Directorate, is responsible for the regulation of charities under the *Income Tax Act*. The Small and Rural Charities Initiative was designed to help the CRA and the Government better understand the unique service needs and compliance challenges faced by small and rural charities. As the primary federal regulator of registered charities, the CRA applies the same requirements to all registered charities, regardless of their size, programs, or any other characteristics. This initiative examined whether the unique needs of a specific segment of the charitable sector would support a change to this approach.

The Charities Directorate

As part of the overall mission of the CRA to promote compliance with Canada's tax legislation and regulations, the Charities Directorate is responsible for promoting compliance with the income tax legislation and regulations related to registered charities, thereby contributing to the integrity of the charitable sector and the well-being of all Canadians.

The role of the Charities Directorate is critical to fostering public confidence in the charitable sector. In order to perform this role, the Directorate uses many approaches, such as outreach, education, and compliance activities.

Throughout the fall of 2007, the CRA met with both small and rural registered charities from all regions of Canada. The consultation process was designed to generate action items aimed at improving services and reducing the administrative burden for small and rural charities. The CRA will use the action items to better assist these charities without adversely affecting the ongoing administration of the charities program as a whole.

PHASE I – workshops

Individuals representing all types of small charities based in urban centres and charities operating in rural areas were invited to attend one of the six consultation workshops held across Canada during October 2007. The workshops were held in Toronto, Saskatoon, Lethbridge, Kelowna, Trois-Rivières, and Moncton. The workshop held in Toronto helped ensure that the viewpoints of small charities from a large urban area were also captured.

Between 10 and 20 small and rural charities' representatives attended each workshop. In total, 87 individuals representing 71 different charities participated during the six workshops. A summary of each workshop was produced and sent to the participants for review to ensure that their views were properly captured. Each workshop discussed the educational products available to charities, reporting requirements, and one of the following topics: service delivery, compliance, tools, rules, or registration.

In addition to the workshops, the CRA also met with sector leaders, the Federal/Provincial/Territorial Network of Charity Regulators, and the Technical Issues Working Group to discuss issues related to small and rural charities. Discussions focused on the same broad topics used for consultation with charity representatives.

PHASE II – panel meetings

Nine of the workshop participants were invited to form a Panel to review and validate the outcomes of Phase I. Panel members were provided with a summary of the meetings and the recommendations from all Phase I workshops, the meetings with sector leaders, the Federal/Provincial/Territorial Network of Charity Regulators, and the Technical Issues Working Group. Three meetings with Panel members were held in Ottawa during November and December 2007.

The final outcome was the development of a collaborative joint action plan, aimed at improving and enhancing services and at reducing the administrative burden placed on small and rural charities. Many of the action items are aimed at providing tools, education, and assistance to help small and rural charities better understand and comply with the administrative and legislative requirements of being a registered charity. As a result, both the burden reduction initiatives and service improvements will be of potential benefit to the entire charitable sector.

A few issues related to broader public policy were discussed that do not form part of the joint action plan. Sector representatives noted the complexity of the disbursement quota and GST/HST rebate rules, and the resulting administrative burden for small and rural charities; they believe that these rules need to be reviewed. Sector representatives also raised the issue of the overall level of benefits provided to registered charities, and specifically to small and rural charities, under the GST/HST rebate program. These matters fall under the jurisdiction of the Minister of Finance.

Sector representatives indicated that because of their size, small and rural charities spend a larger percentage of their revenues on basic costs than larger charities do, resulting in a disproportionate burden on them. Sector representatives said that this is particularly problematic for small charities because they rely much more heavily on receipted donations than larger charities do. This results in a more onerous disbursement quota burden and less financial flexibility to accumulate small surpluses to protect core programs from year-to-year fluctuations in donations.

The **Technical Issues Working Group** is chaired by the CRA and its membership is made up of representatives from professional organizations and umbrella groups providing services to charities. The Group provides a forum for the identification, discussion, cataloguing, and ultimate resolution of technical issues pertaining to registered charities and the *Income Tax Act*.

The **Federal/Provincial/Territorial Network of Charity Regulators** is chaired by the CRA and is made up of government representatives from each province and territory. The mandate of the Network is to improve the regulatory environment of the charitable sector through dialogue and collaboration, recognizing that the federal, provincial, and territorial levels of government each have a different responsibility in the regulation of charities in Canada.

The first time I completed the T3010 for the Canadian Centre for Progressive Christianity, it took me several working sessions over a period of a week or more. Section E required detailed information on 17 types of revenue, of which 4 were applicable. It also required 21 lines of expenditure detail, sorted 3 different ways. But the detail required was not descriptive of our activity – over 90% of total expenditures had to be classified as “other expenses”. Section F required 17 pieces of other information. It took a lot of time to carefully read the guide, ensure I properly understood the terms used, only to determine that none of these questions applied to our charity.

Laura Bowes, Treasurer
Canadian Center for
Progressive Christianity

We are a new charity and it has been difficult to learn all of the CRA rules and requirements. We are all volunteers with little time, and the CRA needs to understand this. We are different than the large charities like the United Way as we do not have the resources or funds to deal with complicated administrative forms. The CRA needs to develop concise user-friendly forms with volunteers in mind.

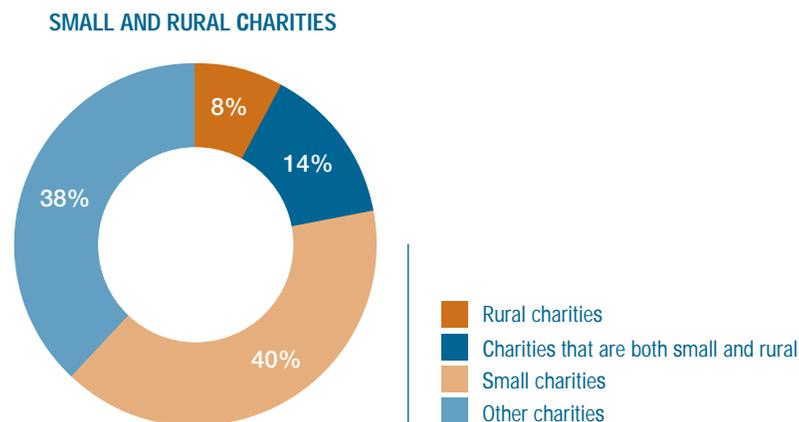
Moncton, New Brunswick,
workshop participant

FINDINGS ON SMALL AND RURAL CHARITIES

Introduction

For the purpose of this initiative, small charities were defined as those that reported total revenue of less than \$100,000 on their annual information returns. Rural charities were identified using their postal codes.

According to the 2006 – 2007 registered charity information returns filed, there were 83,372 registered charities in Canada, of which 54% represent small charities and 22% represent rural charities. Charities that were both small and were located in rural locations represent 14% of all charities.



Rural charities play a unique and vital role in the communities in which they operate and in the geographic area they serve. It was reported that registered charities are more prominent in many rural communities than they are in urban communities. As such, small and rural charities have a more significant presence in the minds of community residents than might be the case in larger centres where business or government organizations may dominate.

Small charities – which are present in urban and rural Canada – share the common characteristic of having few, if any, staff. This means that activities are carried out for the most part by volunteers. While having a primarily volunteer labour force has challenges such as the lack of familiarity some volunteers have with the regulatory obligations a charity must meet, there are also benefits. Small charities have the effect of bringing people directly in touch with the causes they seek to advance simply because they are almost all “on the front line” delivering programs. In this sense, small charities encourage direct engagement with community members, whether it is as part of a peer support group, a conservation effort, or an artistic undertaking. This creates greater community ownership with respect to the causes championed by small charities. As such, small charities contribute to the integration within communities.¹

¹ Seel, K., Spyker, C. (2007). Overview Report of Small and Rural Charities in Canada. Prepared for the Canada Revenue Agency.

Contribution of volunteers to small and rural charities

During the consultation process, participants told the Canada Revenue Agency (CRA) that Canadians who volunteer with small and rural organizations often do so because of a desire to work directly on charitable programming. Most volunteers are not interested in the administrative aspects of the charity or in ensuring reporting requirements are met. In addition, smaller organizations do not have the financial resources to hire staff to take on this work. As a result, the responsibilities are often delegated to a volunteer who is not interested in the administration and may not have the necessary financial or accounting experience.

Charities also face difficulty in recruiting and retaining new volunteers, resulting in increased workloads for those already involved with the charity. Volunteers are required to fit an increasingly heavy workload in with family and career commitments. Part of the difficulty in obtaining volunteers for small and rural charities is that they service specific needs and the pool of people interested in the program may be small. Rural charities also face out-migration, further shrinking pools of volunteers.²

Unique challenges of small and rural charities

Feedback during the consultation process highlighted the unique role of small and rural charities in their communities and in the social fabric of Canada. With few resources, charities are still able to provide high-value services and programs. Programs provided by small and rural charities serve local needs that may often differ from those of the region or nation. Further, small and rural charities face challenges such as a lack of access to new communication technologies, either because of their cost or their availability. As a result, some charities continue to rely on traditional communication methods such as telephone and regular mail.

Small and rural charities also have difficulty creating and maintaining networks and communication with other sector organizations. While these networks can be very useful, since they allow charities to share best practices and experiences, small and rural charities do not have the resources to maintain these types of relationships, and they may be geographically isolated from charities providing similar programming. In addition, the costs of maintaining membership in existing umbrella organizations and networks are often too high for these charities.

Volunteer work is part of the fabric of “closely-knit” rural communities. Sooner or later, everyone is called on to take part in helping the community. Generally, the “volunteer” enthusiastically joins with the rest of the community in tackling the task at hand, usually a cause that he or she finds important.

However, without warning, inevitably a newcomer lands in the position of treasurer. The newcomer is given a box containing a budget, accounts payable, a book of tax receipts, and an envelope marked “THE REPORT MUST BE SUBMITTED NO LATER THAN SIX MONTHS AFTER THE ANNUAL MEETING”! All with a hearty, “You’ll do fine. I trust you . . .”

*The problem stems from the fact that managing a charity’s finances is a task that is passed from one person to another, saying “It’s your turn!” **Turn** involves **responsibility**, not necessarily **skill**. As a result, the position of treasurer is usually a lone responsibility, with the only solution being to rely on your predecessor because it would seem that he or she got through it fine! However, the “manager of a small rural charity” is unprepared to deal with the CRA. There is no budget to hire an accountant. You can only rely on the following strategy:*

² Imagine Canada, Foundation for Rural Living, and the Ontario Trillium Foundation. *The Capacity Challenges of Nonprofit and Voluntary Organizations in Rural Ontario*. 2005.

Rely on past returns, hoping that it was done correctly. Then send it all to the CRA in hopes that the damage is minimal and that their experts are able to correct it.

As a result of perseverance and patience, our museum is a real jewel, the envy of surrounding communities. It is visited by specialists and is registered with Heritage Canada. Our roughly twenty publications are cited in numerous research projects.

Lucille Thibault, Treasurer,
Société historique de
Grande-Digue (NB)

When we do recruit volunteers or employees, they stay for six months of training and then they quit, so we constantly have to start the training process over and over again.

Trois-Rivières, Québec,
workshop participant

The CRA has, in the last five years or so, made great strides in communicating with charities. However, sometimes volunteers do not want to communicate with the CRA, or learn what is needed.

Kelowna, British Columbia,
workshop participant

Participants in the consultation sessions have asked that the CRA recognize and address the unique challenges of small and rural charities in Canada. This can be done through measures such as providing leadership to encourage collaboration among sector organizations. By recognizing these challenges and by taking steps to address them, the CRA will enable small and rural charities to strengthen their ability to provide services to Canadians.

Good governance and the responsibilities of the charitable sector

During the consultation process, the CRA was told that charities recognize and accept that they have a key role to play in protecting both their own and the sector's integrity. All parties – the sector, donors, charities, the public, and the CRA – benefit when charities meet their compliance and integrity obligations. Good governance, exercised through an informed and active Board of Directors, can help charities meet these obligations. By establishing and applying clear administrative and operating rules, charities are more likely to enjoy long-term success. Good governance will also help charities retain institutional knowledge that can be lost as a result of volunteer turnover.

The CRA can help charities meet their obligations and maintain good governance by providing educational tools and concise and pertinent information, and by clearly setting out the responsibilities and obligations of directors.



Role of the CRA

Charities have said that the CRA must modify its “one-size-fits-all” approach. The challenges faced by small and rural charities are not the same as those faced by larger organizations, and the CRA has to tailor its services accordingly. For instance, the CRA should provide information in non-technical language that is easily accessible and understood by the volunteers working with small and rural charities and provide tools that will enable greater voluntary compliance. The CRA can also provide leadership in initiatives with other government regulators to streamline the administrative requirements for charities. Finally, the CRA should provide the sector with feedback on its progress in implementing the action plan set out in this report.

The CRA was told repeatedly in the consultations and during the in-depth panel discussions that those who had dealings with the Charities Directorate were generally pleased with the level of service. It was also stated that over the last several years there has been a recognizable improvement in the information available to charities from the CRA.

Therefore, while the action plan recognizes the current high level of service, it also provides a means for the CRA to further improve services to all charities, and to enhance services to small and rural charities in particular.

“When SPOT (Support People of Today) Food Bank and Used Clothing Depot first considered seeking charitable status, we experienced an emotional ‘roller coaster’ ride. First, the 32-page guide and the 12-page application were somewhat overwhelming, but our Treasurer and I sat down and persevered. Once word arrived that we had been approved and received our charitable number, we were on cloud 9! However, our joy disintegrated upon the arrival of our first T3010A financial return. Simply put, this was over our volunteers’ heads! Much of the terminology was very technical; neither our staff of one-and-a-half persons nor our volunteer Board members had an accounting background – we were in trouble and wondered what we had gotten ourselves into. Thankfully, we found an accountant to sit down with our Treasurer and walk her through this insurmountable obligation. We certainly do not have the finances to be able to pay professional rates from our little charity, as our clients have very little or no money, and the small businesses in our rural town of Petitcodiac, New Brunswick, are vanishing.

Providing a shortened, simplified T3010A form pertinent to the activities of our little Food Bank and Used Clothing Depot will make a huge difference in our ability to meet our compliance obligations with the Canada Revenue Agency.”

Bethany Dykstra, Board member, SPOT (Support People of Today), Petitcodiac, New Brunswick



SECTION 2: JOINT ACTION PLAN

Introduction

The Canada Revenue Agency (CRA) thanks all small and rural charities that participated in the Small and Rural Charities Initiative, particularly the individuals that participated in the Panel. This initiative has helped the CRA to better understand the issues facing small and rural charities, and it will help the CRA be a more effective and efficient regulator.

To keep pace with the needs and expectations of Canadians, the CRA has an ongoing program of service improvement, which is shaped through regular engagement with the public and stakeholders. In the case of the charitable sector, this dialogue has significantly influenced our programs and activities and we are encouraged that the results contained in this report have served to validate these directions and efforts.

Many of the ideas and suggestions raised during the consultation process and by the Panel members are consistent with the CRA's current direction of improving the services provided, while contributing to the integrity of the charitable sector and the well-being of all Canadians. The Panel and the CRA worked collaboratively to develop a joint action plan that will make a significant contribution to the health and integrity of the sector and specifically to small and rural charities. The action plan presents an ambitious agenda, which primarily focuses on work carried out directly by the CRA.

The CRA commits to implementing a number of measures immediately and has already allotted resources to act upon the priority activities. The CRA will undertake most of the remaining activities during the next two fiscal years (by March 2010). As some of the activities are broad or may require additional study and effort over a number of years, the CRA may only accomplish some aspects of the activities in the particular year indicated in the action plan.

Those recommendations requiring further study are indicated as such and cannot be committed to at this time.

The activities have been grouped by common themes. The themes are as follows:

1. Provide tailored services for small and rural charities
2. Reduce the compliance burden
3. Improve awareness and access to information
4. Provide educational tools designed to meet the needs of small and rural charities
5. Lead collaborative initiatives with federal/provincial/territorial partners
6. Advance sector roles and responsibilities

The sector will be able to hold the CRA accountable for implementation of the action plan, as the CRA's progress will be documented in the annual report to Parliament. The CRA will also update progress on this action plan in our newsletters and Web site to allow the sector to easily monitor the progress. The Panel and the CRA are confident that all charities, particularly small and rural charities will experience and see improvements.

PROVIDE TAILORED SERVICES FOR SMALL AND RURAL CHARITIES

Small and rural charities face a number of unique challenges both in carrying out their charitable programs and in meeting their administrative and legislative responsibilities, as they have few resources, are often run through the efforts of a small number of dedicated volunteers, and are in many instances located in isolated areas with few community resources. Small and rural charities have said that these challenges and needs demonstrate the fact that the “one-size-fits-all” approach to regulating charities does not work well for them.

In recognizing the distinct challenges of small and rural charities, and understanding their information needs, the CRA will develop and deliver services in an appropriate manner that meets these charities’ needs, while respecting the need to deliver services in a cost effective manner.

The CRA will provide training to new and existing officers who provide information to the public and charities through the Charities Directorate’s toll-free number. The training will help officers to better identify and understand the callers’ needs, as well as ensure callers’ questions are answered accurately and consistently. In addition, the CRA will partner with registered charities and non-profit organizations serving the charitable sector, through the Contribution Program, to deliver educational programs including community based, in-person service for small and rural charities, where feasible.

1.0	Provide consistent and quality service, designed to meet the needs of small and rural charities.	Complete	2008-2009	2009-2010	Further Study
1.1	Respond accurately and consistently to charities’ enquiries on the 1-800 number by providing standardized technical training for telephone agents.		•		
1.2	Interact more effectively with small and rural charities by recognizing that volunteers and treasurers may not fully understand their obligations or know what questions to ask. Actions could include providing training to CRA agents to be better able to understand callers’ questions and provide appropriate and consistent responses.		•		
1.3	Identify the training needs of front-line staff by conducting a client service survey to measure taxpayer satisfaction.			•	
1.4	Resolve technical taxpayer enquiries more efficiently by having the telephone agents who are trained to answer more complex questions identify themselves, and provide contact information so that charities can call the same officer directly (within a reasonable period of time) for any related technical enquiries.		•		
1.5	Provide community-based, in-person service for small and rural charities through the development of community partnerships with umbrella groups, universities, or colleges, where feasible.	•			

REDUCE THE COMPLIANCE BURDEN

Small and rural charities service specific community needs and the number of volunteers willing and able to support them is generally small. These volunteers are dedicated to the work of the charity and want to be involved in the delivery of its core programs, not in the administration of the charity.

Sector representatives noted that since most volunteers do not have a financial background, small and rural charities are often required to pay for expensive accounting services to meet their administrative and legislative requirements.

Compliance is key for all charities as it demonstrates accountability and transparency. Small and rural charities, through the consultation process, have demonstrated that they want and need to be compliant. The CRA recognizes the limited capacity of small and rural charities and also recognizes the consequent burden of compliance obligations for these charities.

The CRA will work towards reducing the compliance burden through a number of administrative and educational activities. To assist charities, particularly small and rural charities, the CRA will review, modify and enhance the annual information return and companion guide, in order to reduce the paperwork burden while ensuring critical information continues to be captured. The CRA has recently provided charities with a new tool, a checklist, to ensure they are aware of reporting obligations, reporting timelines and how to protect their registered status. To further increase their understanding of compliance obligations, the CRA will provide charities with a glossary of technical terms, as well as commit to communicating with charities in clear and coherent language. In addition, the CRA will communicate directly with a charity's Board of Directors when its registered status is at risk and will increase the amount of information about compliance requirements in its outreach programs and products. One action item, providing reviews of newly registered charities' information returns, has been identified as requiring further study to determine its feasibility.

2.0	Raise the awareness of compliance obligations with boards of directors.	Complete	2008-2009	2009-2010	Further Study
2.1	Send compliance letters to authorized representatives and, if there is no response, send a copy of the letter to the president.		•		
2.2	Provide newly registered charities with feedback on the first Registered Charity Information Return (T3010A) filed, as well as their first year's financial statements and receipts.				•
2.3	Provide charities with a checklist of annual reporting obligations and timelines.	•			
2.4	Withhold Goods and Services Tax/Harmonized Sales Tax (GST/HST) rebates from charities that do not file their T3010A on time.				•
2.5	Provide a clear rationale for requesting directors' dates of birth in the appropriate documents.			•	

3.0	Simplify the reporting burden.	Complete	2008-2009	2009-2010	Further Study
3.1	Provide a simplified and shorter T3010A, to reduce the amount of information small and rural charities have to report and to minimize the time needed to complete the form.			•	
3.2	Allow charities with revenues under \$100,000, regardless of the value of the charity's assets, to provide simplified information.			•	
3.3	Include checklists as part of the T3010A, including a checklist of what documents/forms should be included with a completed form and a checklist of all pieces of information required to complete the form.			•	
3.4	Reformat the Basic Information Sheet to clarify its purpose and ensure charities are aware that it must be filed with the return.			•	
3.5	Provide a glossary to accompany the T3010A to explain the terms used on the form.			•	
3.6	Use plain language on the T3010A and the glossary, as well as in the corresponding guide. Provide clear and precise instructions and examples.			•	

4.0	Develop new tools to enable small and rural charities to meet their legislative and administrative obligations.	Complete	2008-2009	2009-2010	Further Study
4.1	Provide a link on the Charities and Giving Web site for directors, allowing them to access information such as frequently asked questions (FAQs), glossaries, and checklists outlining their responsibilities.		•		
4.2	Identify questions frequently asked through the 1-800 number and use these to identify opportunities for improvements to forms and publications, as well as to provide a list of FAQs to the sector.	•			
4.3	Provide a list of services available to charities in their communities (such as municipal benefits, Pro Bono Students Canada, etc.).		•		
4.4	Mail two copies of the checklist on maintaining charitable status to all registered charities – (one to the treasurer and the other to the president) – with an accompanying letter explaining its importance and purpose.	•			
4.5	Provide a list of questions that charities are not asking, but should be asking. Charities are often not aware of important questions that they should ask the CRA.	•			

5.0	Develop and improve GST/HST information for charities.	Complete	2008-2009	2009-2010	Further Study
5.1	Create a one-page checklist on GST/HST for charities outlining the implications, benefits, and need for GST registration (including a decision-making tree), and mail it to all registered charities with the T3010A or other mail-outs, as well as to newly registered charities.		•		
5.2	Include a GST/HST information module in: a) the Roadshow (Charity Information Session) and; b) the Roashshow (Charity Information Session) DVD.	•		•	
5.3	Create links in both directions between the Charities and Giving Web site and the GST/HST Web site.	•			

IMPROVE AWARENESS AND ACCESS TO INFORMATION

Small and rural charities have few, if any, full-time or paid staff and rely almost solely on the efforts of volunteers to deliver their programs. Volunteers of small and rural charities are less likely to have access to the Internet in remote areas. Without paid staff and with less access to the Internet, small and rural charities have little time, resources, and expertise available to keep them up-to-date with new or changing requirements. In addition, some volunteers working with charities may have difficulty interpreting information that is often written in technical language.

To improve awareness of, and access to, information for small and rural charities, the CRA must improve the way it helps charities understand and meet their requirements, and it should increase its efforts to make information available through appropriate and accessible communication channels. In addition, the CRA should ensure that information is conveyed in plain language and use terminology that is appropriate for the volunteers who run charities.

The CRA acknowledges the need for products to be written in plain language and ensure that products are accessible to volunteers without a legal or accounting background while fulfilling its duty to communicate critical legal and regulatory requirements. The CRA will ensure that revised materials, publications, newsletters and Web site content are clearly written and easy to understand, and will also ensure that the content and quality of these products are consistent in French and English. Furthermore, the CRA will continue to improve and provide Charities Information Sessions to charities across Canada, by tailoring sessions to the needs of specific audiences such as small and rural charities. Finally, through the Contribution Program, the CRA will be able to increase both the number of educational products available to charities, and the communication channels used to deliver them.

A few action items, such as the development of educational products including a Roadshow DVD, require further study. The CRA commits to examining the costs and utility of creating and distributing a DVD version of the Charities Information Session to identified charities, and will also experiment with webinars in the future.

6.0	Raise the awareness of the Charities and Giving Web site through the development of a communication plan and the use of multiple communication channels.	Complete	2008-2009	2009-2010	Further Study
6.1	Develop promotional materials about the Charities and Giving Web site and distribute these materials to small and rural charities and to newly registered charities.		•		

7.0	Improve awareness of and access to outreach and educational programs.	Complete	2008-2009	2009-2010	Further Study
7.1	Develop and distribute educational products, including a Roadshow (Charity Information Session) DVD, to small and rural charities, as well as to newly registered charities, non-compliant charities, and other charities, upon request.			•	
7.2	Develop online tutorials and related links.				•
7.3	Increase small and rural charities' awareness about outreach and educational programs and events through the Web site, the mailing of notices, advertisements on umbrella groups' networks and, if cost-effective, telephone calls.		•		
7.4	Address the educational needs of small and rural charities by developing and delivering specialized Roadshows (Charities Information Session) for them.			•	
7.5	Improve the awareness of the Roadshows' purposes by changing the English name to one that is positive and informative.	•			
7.6	Deliver the Roadshow information sessions to charities across Canada.	•			

8.0	Communicate regularly and effectively with small and rural charities.	Complete	2008-2009	2009-2010	Further Study
8.1	Distribute educational resources to small and rural charities through multiple communication channels.	•			
8.2	Write communication products in a positive and helpful tone.	•			
8.3	Meet the educational needs of small and rural charities by producing resources in plain language.	•			
8.4	Consult with small and rural charities about the development and review of new products and policies.			•	
8.5	Produce consistent, easy to read, and quality products in both official languages by hiring a professional editor and translator, and by collaborating with Revenu Québec on terminology to ensure consistency.				•
8.6	Improve definitions and key terms by using plain language and ensuring they are used consistently.	•			

PROVIDE EDUCATIONAL TOOLS DESIGNED TO MEET THE NEEDS OF SMALL AND RURAL CHARITIES

Small and rural charity volunteers are fitting their charitable work in between family and career commitments and often do not have adequate time to sort through the large volume of information provided by, or available through, the CRA. The limited time of volunteers combined with the relatively high rate of volunteer turnover means that there are few experienced volunteers who appreciate and understand the charity's legislative and regulatory obligations. As a result, small and rural charities often "do not know what they need to know" to meet their obligations. Small and rural charities need quick and simple tools that allow them to easily find relevant information, so that they can focus on carrying out their charitable work while still meeting their reporting obligations. By enabling charities to be more aware of their obligations and making it easier for them to access information, the need for in-person and 1-800 services may diminish. In recognition of the limited capacity of small and rural charities, the CRA needs to help charities help themselves to both appreciate and understand their obligations. To do this, the CRA must determine the basic and core information small and rural charities need and deliver this information in a variety of accessible and user-friendly ways.

The CRA recognizes the valuable contribution of volunteers working with small and rural charities, and that these volunteers have little time or resources to keep up to date with new or changing requirements and regulations. The CRA will help volunteers quickly find pertinent information by creating new educational tools for small and rural charities and by improving existing tools so they are in line with the needs of small and rural charities.

The CRA has recently updated the Charities and Giving Web site, based on input received throughout the consultation process. Information is now organized and displayed in a manner that is easily accessible. The redesigned Web site is clear, focused, and concise. Over the coming years, new information will be added to the Web site, geared to small and rural charities, as identified by the Panel. This will include more information about registration, for example, posting "model objects" that can be used to describe charitable purposes. The Web site will be further enhanced to allow for easier access to the CRA information as we will work to label the pages more consistently and will improve the Meta data, which is the encoded data that allows search engines to find information on the Web site.

The CRA is providing funding to six organizations through the contribution program. The recipients will be developing and delivering innovative education and training on regulatory compliance for the charitable sector. This will complement and support information provided by the CRA.

The CRA will create new tools, to ensure charities and applicant organizations are informed, and aware of, registered charities' obligations under the *ITA*. During the consultation process, small and rural charities told the CRA that they need a comprehensive source of pertinent information that can be passed on to new volunteers or directors. The CRA will investigate how best to develop a way for charities to keep pertinent information, which could include the development of a resource binder. This new tool will allow charities to pass on information to new volunteers with their organizations. Additionally, there are two action items that relate to the Web site, one being to make the Web site more accessible for the visually impaired and the second to provide links to sector resources on the Web site, that will require further study to determine the implications as the Web site supports all the programs and activities of the CRA.

9.0	Make on-line fillable forms and other software tools that will help small and rural charities meet their reporting requirements easier to use.	Complete	2008-2009	2009-2010	Further Study
9.1	Make the on-line fillable forms more user-friendly and "saveable."				•
9.2	Provide assistance over the 1-800 numbers to small and rural charities needing help navigating the Charities and Giving Web site.	•			
9.3	Investigate and, if feasible, implement the use of "Smartlinks" to allow Web users to access a CRA agent directly from the CRA Web site.				•
9.4	Develop, or work with software providers to develop, educational learning products, similar to QuickTax, for small and rural charities, and make them available for a nominal fee.				•

10.0	Improve the functionality and accessibility of the Charities and Giving Web site to allow small and rural charities to easily access pertinent information.	Complete	2008-2009	2009-2010	Further Study
10.1	Verify Web site content and update, correct, or remove outdated and redundant information.		•		
10.2	Optimize access to information by developing individualized charity profiles and an electronic decision-making tree to direct small and rural charities to only the specific information they require or request.			•	
10.3	Develop an accessible, easy-to-find link for pertinent/need-to-know information for charities.			•	
10.4	Label Web site pages and links consistently.		•		
10.5	Develop accessible Web pages for dial-up users.	•			
10.6	Publish the Compliance Continuum for Registered Charities on the Web site.		•		
10.7	Make the Charities and Giving Web site more accessible for the visually impaired who use screen readers.				•

11.0	Develop information specific to small and rural charities' requirements.	Complete	2008-2009	2009-2010	Further Study
11.1	Inform and educate small and rural charities by developing and making available online documents, a resource binder, and a CD-ROM of Web site materials.			•	
11.2	Provide charities with: a) sample T3010As, financial statements, receipts, and books and records, along with information on the audit process; and b) links to sector resources on good governance, in both the resource binder and on the Charities and Giving Web site.		•		•

12.0	Provide enhanced pre-registration information to applicant organizations.	Complete	2008-2009	2009-2010	Further Study
12.1	Provide applicant organizations with a decision-making tree or another type of information to help them make decisions about becoming a registered charity under the ITA.		•		
12.2	Provide applicant organizations with a clear and concise list of what is and what is not charitable.		•		
12.3	Provide a simplified registration guide that focuses on the key elements applicants must know and is organized by the four categories of charitable purposes (with the ability to print only the sections needed or related to the applicant's activities).			•	
12.4	Work with federal, provincial, and territorial partners to adopt model objects (sometimes referred to as purposes) and make them available online for applicants.	•			

LEAD COLLABORATIVE INITIATIVES WITH FEDERAL/PROVINCIAL/TERRITORIAL PARTNERS

The CRA has contact with registered charities in all parts of Canada, and it therefore has a significant leadership role to play in coordinating and streamlining the reporting required by federal/provincial/territorial partners.

The CRA acknowledges the challenges faced by small and rural charities in reporting to regulators at the federal, provincial and in some cases, the municipal level. The CRA will continue to work with the provinces and territories through the Federal/Provincial/Territorial Network of Charity Regulators in support of ongoing dialogue between regulators. Collaborative efforts with the province of Ontario have resulted in an agreement for the CRA to collect, on behalf of the province, Director and Corporate Officer information from charities incorporated in the province of Ontario. Beginning in 2009, a new Blended Director/Corporate Officer Worksheet will be available to charities incorporated in Ontario.

13.0	Improve information sharing with federal, provincial and territorial governments to simplify the paperwork burden and reporting requirements for registered charities.	Complete	2008-2009	2009-2010	Further Study
13.1	Develop uniform audit requirements for small and rural charities, where possible.				•
13.2	Provide links on the CRA Web site to provincial obligations and resources for registered charities.	•			
13.3	Develop the Federal, Provincial and Territorial Network of Charity Regulators.	•			
13.4	Increase collaboration with the Province and Territories in the regulation of registered charities through activities such as harmonizing reporting requirements and sharing information to reduce reporting duplications for registered charities.				•

ADVANCE SECTOR ROLES AND RESPONSIBILITIES

Small and rural charities are able to provide social value with very limited financial resources. However, they require the appropriate tools and support to continue to be successful. There is a benefit to charities working together to share best practices and experiences. Small and rural charities are independent, often geographically isolated, and serve specific community needs, making it difficult to share information and resources. Small and rural charities would benefit from mentoring and working with other larger charities, using them as a source of information, advice, and best practices. As the federal regulator of registered charities, the sector believes the CRA has a leadership role to play in helping large umbrella organizations better understand the unique challenges facing small and rural charities and how these umbrella organizations can be valuable resources to small and rural charities.

Volunteers are the pillars of small and rural charities, and they must be recognized as such. Volunteers are compensated by the results of their good work. To encourage Canadians' trust in the charitable sector, charities must market themselves as good and trustworthy organizations, known for the good work they do.

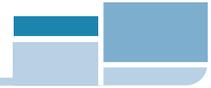
The CRA recognizes the value provided by volunteers working with registered charities and their contribution to Canada. The CRA will help the sector promote the value of the voluntary sector by encouraging the creation of community networks. Additionally, the CRA will provide online links to government departments involved with volunteerism, such as Human Resources and Social Development Canada. The CRA will acknowledge and allow charities to promote the contribution of their volunteers to the public by providing charities with an opportunity to highlight the participation of their volunteers in the new Annual Charity Information Return.

14.0	Improve awareness of the benefits of volunteering.	Complete	2008-2009	2009-2010	Further Study
14.1	The CRA will work with the sector to promote the benefits of volunteering.				•
14.2	The CRA should provide space on the T3010A for charities to report the level of volunteers (number and/or hours) and the services the volunteers delivered.			•	

15.0	Improve the accessibility of information about registered charities and their programs.	Complete	2008-2009	2009-2010	Further Study
15.1	Develop a Web listing of all registered charities to allow donors to easily find charities when using Internet search engines.				•
15.2	Investigate whether the CRA can put live links from the Charities and Giving Web site to those charities that have Web sites.				•

16.0	Encourage collaboration among sector organizations.	Complete	2008-2009	2009-2010	Further Study
16.1	Encourage the creation of Web links between registered charities, umbrella groups, provincial/territorial governments, and the Charities and Giving Web site.	•			
16.2	Promote the development of community networks, to enable small and rural charities to communicate, share best practices, and learn from each other.		•		





SECTION 3: OVERVIEW OF THE VOLUNTARY SECTOR

“Non-profit and voluntary organizations are an important element of Canadian society, often addressing the needs and interests of citizens that the public and private sectors do not.”

Imagine Canada, Foundation for Rural Living, and The Ontario Trillium Foundation, 2005⁶

Defining the voluntary sector

The voluntary sector has a significant role in Canadian life. Canada’s non-profit and voluntary sector has been noted as one of the largest and most vibrant in the world.³

The voluntary sector is made up of approximately 81,000 non-profit organizations and 83,000 registered charities. In addition, there are some 750,000 unincorporated community organizations that are not included in the voluntary sector count.⁴

Several terms are used to describe the set of organizations that this report describes as the “voluntary sector.” The terms include: non-profit sector, charitable sector, third sector, civil society, community-based organizations, and voluntary sector itself. This report uses the term “voluntary sector” since it has been used widely by umbrella organizations representing these organizations as well as by Statistics Canada and other federal organizations. The entities that make up the voluntary sector have the following characteristics:⁵

- they are non-governmental and institutionally separate from governments;
- they do not generate or distribute profit;
- they are self-governing, independent, and able to regulate their own activities;
- they are run by volunteers, and they benefit to some degree from voluntary contributions of time or money; and
- they are generally formally incorporated or registered under specific legislation with provincial, territorial, or federal governments.

The voluntary sector consists of both non-profit organizations and registered charities, but both are quite distinct.

Voluntary sector programs

Organizations in the voluntary sector operate in a wide variety of areas such as: arts and culture, sports and recreation, education, health and social services, faith, human rights, social justice, and environmental protection.

³ John Hopkins University, Imagine Canada and the Government of Canada. *The Canadian Nonprofit and Voluntary Sector in Comparative Perspective*. 2005.

⁴ Imagine Canada. *Investing in Citizens and Communities: A Submission on The Community Nonprofit Sector of Canada to the Blue Ribbon Panel on Grants and Contributions*. 2006.

⁵ Statistics Canada. *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*. 2005.

⁶ Imagine Canada, Foundation for Rural Living, and the Ontario Trillium Foundation. *The Capacity Challenges of Nonprofit and Voluntary Organizations in Rural Ontario*. 2005.

REGISTERED CHARITIES	NON-PROFIT ORGANIZATIONS
<ul style="list-style-type: none"> • May issue official tax donation receipts for gifts received and are exempt from paying income tax. • Must: <ul style="list-style-type: none"> - devote their resources to charity; - continue to meet the requirements of registration; and - file form T3010A, <i>Registered Charity Information Return</i>, within six months of their fiscal period end⁷ <p>to qualify, or to continue to qualify as a registered charity under the <i>Income Tax Act</i>.</p>	<ul style="list-style-type: none"> • Are not charities. • Cannot issue official tax donation receipts for income tax purposes. • Must: <ul style="list-style-type: none"> - be both organized and operated exclusively for social welfare, civic improvement, pleasure or recreation, or for any other purpose except profit; and - Comply with regulations regarding the filing of form T1044, <i>Non-Profit Organization (NPO) Information Return</i>. <p>to qualify, or to continue to qualify as a not-for-profit organization under the <i>Income Tax Act</i>.</p>

“The non-profit and voluntary sector is an economic force in Canada. It accounts for 6.8 percent of the nation’s gross domestic product (GDP) and, when the value of volunteer work is incorporated, contributes 8.5 percent of the GDP.”

The Canadian Non-profit and Voluntary Sector in Comparative Perspective, 2005⁸

Economic contribution of the voluntary sector

Voluntary sector organizations play a substantial role in the Canadian economy. One-third of the revenue generated in this sector is attributable to a relatively small number of hospitals and universities and colleges.¹⁰

The voluntary sector employs over 2 million full-time workers, equivalent to 7.2% of the country’s total labour force – roughly equivalent to the country’s construction, mining, and oil and gas industries combined. This figure does not include people who work in colleges, universities and hospitals, which also form part of the voluntary sector.¹¹

“The non-profit and voluntary sector faces a number of issues that may affect its future vitality. Many organizations report difficulty fulfilling their missions because of problems planning for the future, recruiting volunteers and board members, and obtaining funding from governments and private philanthropy.”

The Canadian Non-profit and Voluntary Sector in Comparative Perspective, 2005⁹

⁷ *Income Tax Act*, R.S.C. 1985 (5th supp.) c. 1, para. 149(1)(l) and ss. 149(5) and 149(12).

⁸ John Hopkins University, Imagine Canada and the Government of Canada. *The Canadian Nonprofit and Voluntary Sector in Comparative Perspective*. 2005.

⁹ John Hopkins University, Imagine Canada and the Government of Canada. *The Canadian Nonprofit and Voluntary Sector in Comparative Perspective*. 2005.

¹⁰ Statistics Canada (through the Voluntary Sector Initiative). *National Survey of Nonprofit and Voluntary Organizations* 2003.

¹¹ Canadian Policy Research Networks. *Mapping of the Non-profit Sector*. 2005.

Did you know?

“Giving to charity: Information for donors” is available on our Web site and provides information about tax savings, donation receipts, the regulation of charities, and how to be an informed donor.

cra.gc.ca/donors
arc.gc.ca/donateurs

Volunteer capacity

In 2004, almost 12 million Canadians, or 45% of the population aged 15 and older, contributed their time to the voluntary sector. This volunteer time amounted to almost 2 billion hours or approximately 1 million full-time jobs.

The *Canadian Survey of Giving, Volunteering and Participating* found that individuals most likely to volunteer are youth, those with higher levels of household income and education, those who have school-aged children present in the household, and individuals who are religiously active. Those who contribute the most volunteer hours tend to be seniors, have lower levels of household income, have higher levels of education, do not have children present in their household, and are religiously active.¹²

In the *Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations*, conducted by Imagine Canada, most participants identified human capital – the people who serve as paid staff and volunteers – as their organization's greatest strength. Volunteers were especially recognized as “dedicated,” “devoted,” and “committed,” and were occasionally noted as the organization's “greatest resource.”¹³

Challenges facing the voluntary sector

Some of the key issues facing this sector, as identified by various sectoral and academic studies, include:¹⁴

- having time to plan;
- recruiting skilled and committed volunteers and board members; and
- obtaining funding from governments and private organizations.

¹² Statistics Canada and Imagine Canada. *Canada Survey of Giving, Volunteering and Participating*. 2004.

¹³ Ibid.

¹⁴ Canadian Centre for Philanthropy. *The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations*. 2003.

OVERVIEW OF THE CHARITABLE SECTOR

Defining the charitable sector

The charitable sector includes all registered charities. In 2007, there were over 83,000 registered charities in Canada.

Registered charities

Registered charities play a significant role in their communities and in Canada. They deliver essential services and programs to various segments of the Canadian population and, in some cases, to populations in foreign countries, thereby improving the lives of individuals and communities.¹⁵

Charities may be registered under one or more of the general categories of charitable purposes as set out by common law.¹⁶

Charitable purposes are:

- the relief of poverty;
- the advancement of education;
- the advancement of religion; and
- other purposes beneficial to the community in a way the law regards as charitable.

Approximately 40% of all registered charities fall under the advancement of religion category of charity and carry out a variety of activities, from building and operating places of worship to carrying out missionary activities in foreign countries.

The next largest category of charity – other purposes beneficial to the community – accounts for 24% of all registered charities. This broad category of charity includes organizations that protect the welfare of animals and the environment, provide health care, operate museums or public gardens, among others.

The relief of poverty category of charity accounts for 20% of all registered charities, and includes those that operate food banks, provide shelter and clothing, and provide pro-bono legal advice, to name a few.

Official forms from the CRA cause apprehension (us v. them). If you do not have an accountant or lawyer background the terms on the forms are difficult to comprehend.

Kelowna, British Columbia,
workshop participant

Thank you for coming to our area and listening to our concerns and understanding our situation as the small and rural charities operate much differently compared to the large charities. Volunteers are not expert accountants nor do they have the necessary resources. Thank you for your patience and your help to make the process easier for all involved.

Moncton, New Brunswick,
workshop participant

¹⁵ Muttart Foundation, conducted by Ipsos Reid. *Talking About Charities 2006: Tracking Canadians' Opinions About Charities and The Issues Affecting Them*. 2006.

¹⁶ Lord McNaughten in the *Commissioners for Special Purposes of Income Tax v. Pemsel (1891) A.C. 531*.

The CRA needs to diminish bureaucracy so charities and their volunteers can spend more time delivering their charitable programs.

Trois-Rivières, Québec,
workshop participant

The smallest category of charity is the advancement of education, representing about 16% of all registered charities. This category includes charities established to operate public schools and libraries, and those that raise the artistic taste of the community.



How registered charities operate

A registered charity may operate in one of two ways:

- it can carry out its own charitable programs and activities; or
- it can make gifts to other qualified donees (generally, other registered charities).

A registered charity is designated in one of three ways:

- Eighty-nine percent of all registered charities carry out their own activities, and are therefore designated as charitable organizations.
- Six percent of registered charities are designated as public foundations and gift more than 50% of their receipted income to qualified donees.
- The remaining five percent of charities are designated as private foundations, because they do not operate at arm's length (for example, 50% or more of the Board is related by way of marriage, blood, or adoption). Private foundations may engage in both carrying out their own charitable programs or making gifts to qualified donees.¹⁷

¹⁷ Charities Directorate Statistical Report (2007).

ECONOMIC CONTRIBUTION OF REGISTERED CHARITIES BASED ON DATA FROM THE REGISTERED CHARITY INFORMATION RETURNS

Registered charities not only deliver essential services and programs that enrich the lives of Canadians but also make a significant contribution to the Canadian economy.

In 2006, according to Statistics Canada, registered charities issued official donation receipts of \$13.3 billion. Individual Canadians claimed \$8.5 billion of charitable donation receipts on their income tax return which resulted in foregone federal revenues of between \$2 and \$2.5 billion.

In recognizing the need for many of the services and programs delivered by registered charities, municipal, provincial, and federal governments contributed an additional \$89.5 billion to registered charities for a variety of charitable programs. The majority of the funds, approximately 99%, are directed to charitable organizations, which include universities, school boards, and hospitals.

In 2006, registered charities employed a total of 1.3 million full-time employees and 1.2 million part-time employees, and held \$205.1 billion in assets such as buildings and investments. It is important to note that these numbers include very large charities and other entities that can issue official tax receipts for gifts, such as municipalities, universities, colleges, and hospitals, which account for 9% of all registered charities and 66% of all tax-receipted revenues received by the charitable sector.¹⁸

In 2006, registered charities received a total of \$163.1 billion in total revenues, including \$2 billion in fundraising revenues. In the same year, registered charities spent \$111.8 billion in carrying out their charitable programs.¹⁹

The Canadian Centre for Progressive Christianity has developed a donor base of over 420 people and over 1,200 contacts. One of the challenges we face is handling the administrative work of the organization. We have volunteers who generously donate their time, their talents, and often their personal and/or business's financial resources to the program work. We would like to be able to hire part-time administrative support to ensure that the "business" part of the charity runs efficiently and effectively, as well as to ensure good governance. This cost, however, would not be considered a program expense for purposes of meeting our disbursement quota obligations and it is therefore an expense that the charity cannot afford to incur.

This year we will receive over 85% of our income from charitable donations. After paying for expenses required by Part II of the Canada Corporations Act (an annual audit and an annual general meeting) as well as those costs incurred for good governance of the organization, all of the remaining funds must be spent on program activities in order to meet our disbursement quota. This requirement prevents us from accumulating even a small operating reserve to protect the programs from year-to-year fluctuations in donations. This constraint is very hard on small charities.

Laura Bowes, Treasurer,
Canadian Center for
Progressive Christianity

¹⁸ Charities Directorate Statistical Report, based on 2005 T3010A information returns.

¹⁹ Ibid.

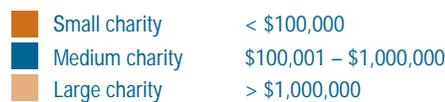
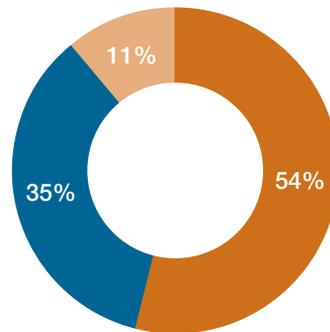
I need more training and experience using the CRA's Web site so I can find all of the information I require there.

Moncton, New Brunswick, workshop participant

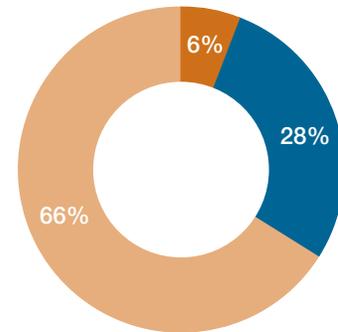
“Charities, as part of the broader voluntary sector, help to cultivate a strong civil society and a federal government connected to citizens. They act as a vehicle for social cohesion and provide opportunities for individual Canadians to volunteer or work on issues of importance to themselves and their communities. Because donors to charities receive tax credits, all Canadians have a financial stake in who is allowed to issue charitable donation receipts, since it is not simply the donor who is giving money – it is also the taxpayer.”

Strengthening Canada's Charitable Sector: Regulatory Reform: Final Report, March 2003

REGISTERED CHARITIES BY SIZE



TAX-RECEIVED REVENUES BY SIZE OF CHARITY



Social contribution of registered charities

A 2006 Muttart Foundation report found that:

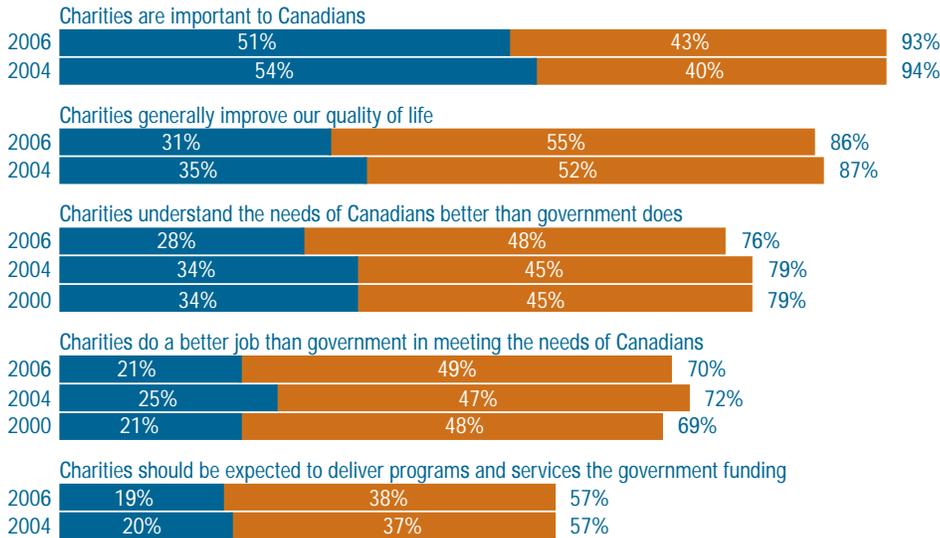
- Overall, Canadians feel charities are very important to Canada and play an important role in meeting the needs of Canadians.
- A strong majority of Canadians believe charities understand the needs of Canadians better than the Government does.
- Charities do a better job meeting the needs of Canadians than the Government does.

Further, the study found that the majority of Canadians have a high level of trust in charities and in the leaders of charities.²⁰

²⁰ Muttart Foundation, conducted by Ipsos Reid. *Talking About Charities 2006: Tracking Canadians' Opinions About Charities and The Issues Affecting Them*. 2006.

PERCEIVED IMPORTANCE OF CHARITIES

Please tell me if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each of the following statements...



■ Strongly agree ■ Somewhat agree

Source: Muttart Foundation

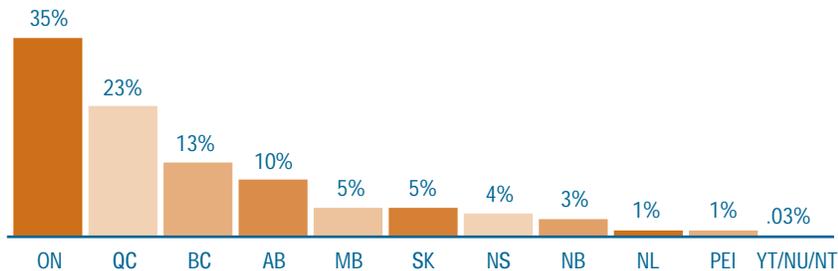
It is too much to ask volunteers to complete the required forms, calculate the disbursement quota, or ensure the charity meets the disbursement quota.

Trois-Rivières, Québec, workshop participant

Geographic location of registered charities in Canada

The concentration of charities varies by province and territory. Eighty-one percent of all registered charities are concentrated in Ontario, Quebec, British Columbia, and Alberta, with the remaining 19% spread throughout the other provinces and territories. These percentages generally coincide with population density.

PROPORTION OF CHARITIES BY PROVINCE



Did you know?

The Canada Revenue Agency provides a number of online forms for charities, including the *Registered Charity Information Return* (T3010A).

The Charities Directorate (CRA) is one of the most accessible government departments our charity deals with.

Toronto, Ontario,
workshop participant

CHALLENGES FACING THE CHARITABLE SECTOR

1. Reporting

Every registered charity must file a *Registered Charity Information Return* (T3010A), including any required attachments, within six months of its fiscal period end. The T3010A is used to ensure accountability to the public and to the Canada Revenue Agency (CRA) for how the charity has spent its money. A charity that fails to file will have its registration revoked and will be liable for a \$500 penalty if it applies for re-registration. In the 2007 – 2008 fiscal year, 1,714 charities were revoked, for a variety of reasons, such as failure to file, voluntary revocation and revocation for cause. The following statistics, based on 2006 filing data, illustrate the challenge many registered charities have in filing timely, thorough, and complete returns.

Reporting issues	
TIMELINESS	COMMON ERRORS
<p>80% of charities filed on time. Of these:</p> <ul style="list-style-type: none"> • 3% filed within 2 months of fiscal period end; • 15% filed within 4 months of fiscal period end; and • 62% filed within 6 months of fiscal period end. <p>An additional 9% filed within 10 months of fiscal period end.</p> <p>Further:</p> <ul style="list-style-type: none"> • 61,466 Reminder to File Notices (TX11D) were sent 5 months after fiscal period end to 74% of charities reminding them to file; and • 11,652 Late Filing Notices (T2051A) were sent to 14% of charities reminding them to file, if their returns were not received within 7 months of fiscal period end. 	<ul style="list-style-type: none"> • 42% did not provide all director/trustee dates of birth. • 40% did not submit the Basic Information Sheet. • In 30% of returns, the breakdown of expenditures did not equal total expenditures before gifts to qualified donees. • In 28% of returns, the charity indicated that 50% or more of directors were not at arm's length, or did not respond at all, yet the designation is that of a charitable organization or a public foundation. • In 17% of returns, the postal code for a director/trustee was left blank. • In 13% of returns, the charity is active yet did not have an expenditure entry for charitable expenditures or gifts to qualified donees. • In 12% of returns, the charity made an expenditure entry under "salaries, wages, benefits, and honoraria" but made no entry under Section D – Compensation.

2. Non-compliance

In the 2007-2008 fiscal year, 790 audits were conducted. The audit findings reveal other challenges facing registered charities, including:

- 89% were found to have incomplete or incorrect official receipts;
- 72% had incomplete T3010s;
- 71% had insufficient books and records;
- 16% made gifts to non-qualified donees; and
- 13% carried out non-charitable activities including excessive amounts of resources being devoted to non-charitable activities (fundraising, political, or social activities).

Of the audits completed during this period, the results were as follows:

- 53% required education;
- 18.5 % resulted in compliance agreements;
- 17 % were compliant;
- 6.5% were revoked for cause; and
- 5% had other outcomes such as: voluntary revocations, annulments, pre-registration audits, Part V tax audits.

3. Applications for registration

In the 2007-2008 fiscal year, 3,655 applications for registration and 606 applications for re-registration were received. In the same year, 2,345 were approved, 357 were denied, and 561 were rejected as incomplete. The reasons for denial reveal challenges facing applicant organizations. The most common reasons include:

- 41% lacked sufficient detail on charitable activities;
- 9% had broad or vague objects; and
- 8% listed non-charitable activities.

The reasons for denying registration identify new and continued opportunities for education and outreach activities, the goal of which is to help charities understand their requirements.

Did you know?

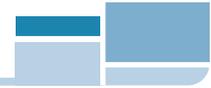
The Charities Directorate has a bilingual toll-free telephone service that is available weekdays (except statutory holidays) from 8 a.m. to 8 p.m. Eastern Standard Time.

You can contact us by telephone, by fax, or in writing at:

Telephone (toll free):
1-800-267-2384
(English) or
1-888-892-5667
(bilingual)

Fax: 613-954-8037

Address:
Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5



Did you know?

Canada Revenue Agency

- Regulates registered charities that are exempt from income tax and are able to provide tax receipts to donors so that they may obtain tax relief.
- Determines eligibility for charitable status and monitors compliance to ensure dollars raised in the sector are used to carry out charitable work, as per the *Income Tax Act*.
- Acts on those charities that do not comply with the *Income Tax Act* – providing sanctions, annulling registrations, or revoking charities' registered status.
- Provides education and client assistance to registered charities, applicant organizations, and the public.

Provinces and Territories

- Make laws with respect to the establishment, maintenance, and management of charities.
- Play an active role in regulating certain aspects of the sector such as fundraising and/or incorporation.

Details on Provincial and Territorial requirements can be found on the CRA Web site at:

<http://www.cra-arc.gc.ca/tax/charities/contact/provinces/menu-e.html>

SECTION 4: GOVERNMENT AND SECTOR RESOURCES

Information obtained during the first phase of the Small and Rural Charities Initiative showed that the level of knowledge among small and rural charities with respect to the role of various players in the charitable sector could be better. There was room for improving charities' awareness of the roles of the Canada Revenue Agency (CRA) and the provinces and territories in regulating charities and of the resources and services available to charities through umbrella organizations and other groups within the voluntary sector. The following are examples of some of the organizations that provide services to charities.

Regulators

The regulation of registered charities is divided between the federal and provincial/territorial governments. Within the federal government, there are several key players, but only the CRA regulates registered charities. The CRA is responsible for applying the provisions of the *Income Tax Act* relating to registered charities. The regulation of charities, beyond income tax considerations, is constitutionally under the jurisdiction of the provinces and territories. In practice, the CRA acts as the prime regulator. In addition, Industry Canada is responsible for the rules governing federal incorporation. As such, some registered charities are subject to Industry Canada's regulation relating to their federal incorporation.

Provincial and territorial governments

The responsibility of provincial and territorial governments relates to fundraising, corporation registry, gaming and lotteries, and other activities. In general, regulation for most provinces and territories is limited to the incorporation or licensing of charitable organizations, and to the monitoring of some aspects of compliance, such as filing an annual return and paying an annual fee.

Courts

Common law and the decisions of the courts are used to administer the provisions of the *Income Tax Act* and to define what is and what is not charitable.

Other government departments

Department of Finance Canada

- Is responsible for the *Income Tax Act* and related regulations.

Human Resources and Social Development Canada

- Provides support to the non-profit sector's efforts to innovate, strengthen networks of collaboration, develop capacity and share good practices to contribute to community well-being.
- Provides research and analysis for evidence-based policy development by making strategic investments in quantitative and qualitative knowledge instruments; engaging the community non-profit sector in policy dialogue; and developing tools to foster innovation to support sustainability and self-sufficiency of organizations.
- Demonstrates leadership and supports other federal departments in their efforts to effectively work with the community non-profit sector.

Industry Canada: Corporations Canada

- Provides incorporation and other services for federal non-profit corporations under the *Canada Corporations Act*, including providing basic knowledge and tools that a small non-profit corporation will need in order to incorporate and operate under the *Income Tax Act*.

Industry Canada: Office of Consumer Affairs

- Provides services, tools, and resources to help consumers avoid fraud and telephone scams.

Statistics Canada

- Collects statistics and produces reports on charitable donations in Canada.



Umbrella organizations

Umbrella groups are independent, non-government organizations that provide services to non-profit organizations and charities. Some of these groups are registered charities. Their services are often directed at improving the effectiveness and efficiency of member organizations.

Umbrella organizations are a valuable source of information and services for charities across Canada. However, they are often geared toward larger charities that can afford membership fees, or toward charities involved with specific programs. These factors often preclude small and rural charities from benefiting from the services provided by these organizations.

Some of the umbrella groups in Canada are:

- Association des Fondations D'Établissement de Santé du Québec;
- Canadian Association of Food Banks;
- Canadian Council of Christian Charities;
- Community Foundations of Canada;
- Conseil québécois des organismes chrétiens
- Fédération des centres d'action bénévole du Québec;
- Health Charities Council of Canada;
- Imagine Canada;
- Philanthropic Foundations Canada; and
- Volunteer Canada.

Parent bodies

Some organizations, such as Girl Guides of Canada, the United Way, and religious charities, have “head” or “national” bodies. The head bodies often provide tools, services, and resources to their affiliated charities across Canada. A number of these organizations post this information on their Web sites so that it is available to all charities.

Professional services

Charities and voluntary sector organizations can obtain assistance from professionals providing services to the sector (for example, lawyers, accountants, and fundraisers). Some professionals specialize in providing services to charities and non-profit organizations, and some national professional associations often have a section devoted to servicing the sector, such as:

- The Canadian Bar Association, Charity and Not-for-Profit Law Section;
- Canadian Association of Gift Planners;
- Certified General Accountants Association of Canada;
- Canadian Institute of Chartered Accountants;
- Association of Fundraising Professionals;
- Pro Bono Students Canada; and
- Association for Healthcare Philanthropy Canada.

Many accounting and legal firms have on their Web sites, newsletters, and other information designed specifically for charities and non-profit organizations. As well, some of the professions provide pro bono services.

Other sources of information

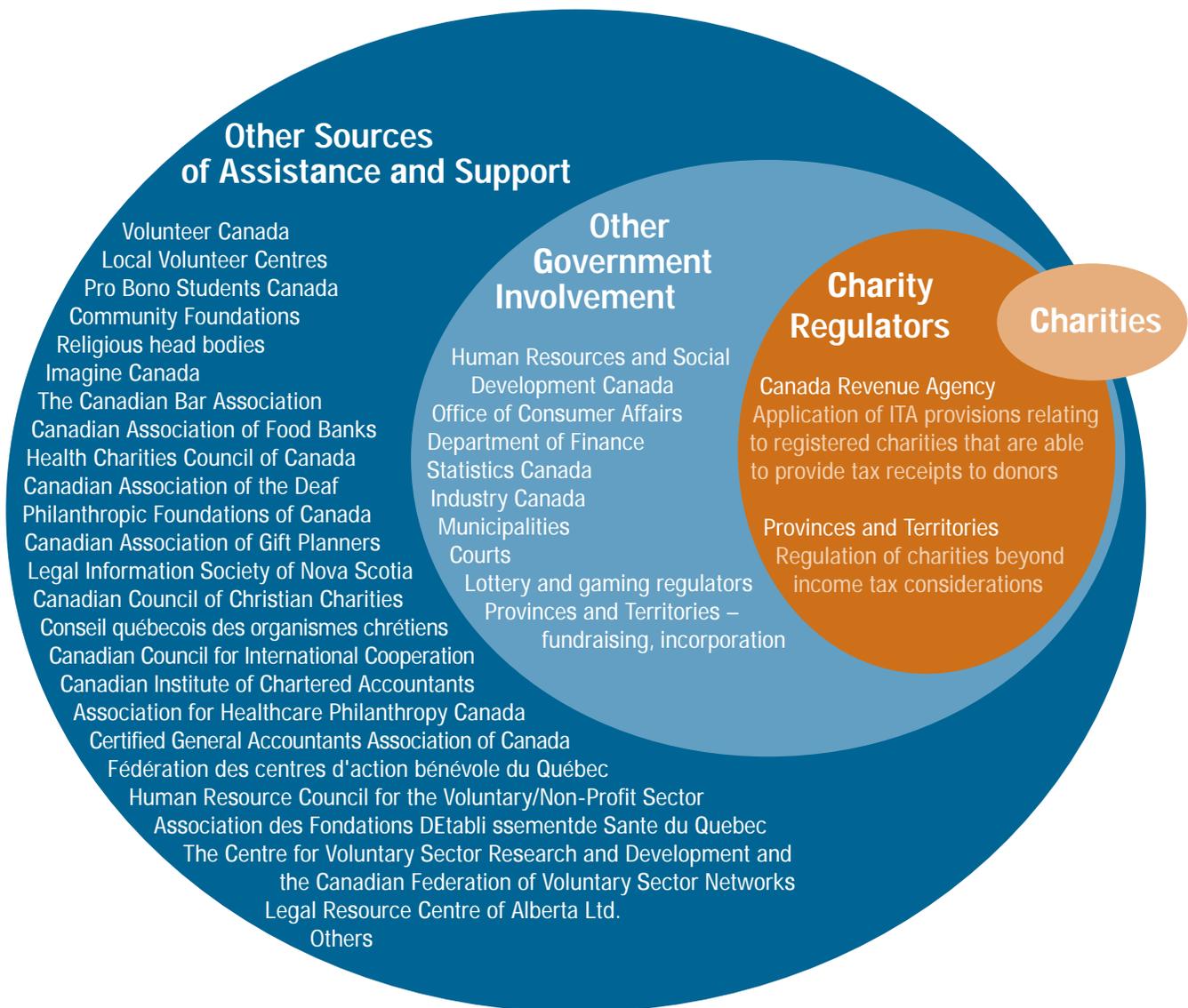
The CRA provides funding through the contribution program to organizations so that they can develop and deliver training to registered charities. This training helps charities understand their obligations under the *Income Tax Act* and how to meet them. Organizations currently funded by the CRA include:

- Canadian Association of the Deaf – <http://www.cad.ca/>
- Canadian Council for International Cooperation – <http://www.ccic.ca>
- Imagine Canada – <http://www.imaginecanada.ca/>
- Legal Information Society of Nova Scotia – <http://www.legalinfo.org/>
- Legal Resource Centre of Alberta Ltd. – <http://www.legalresourcecentre.ca/>
- The Centre for Voluntary Sector Research and Development and the Canadian Federation of Voluntary Sector Networks – <http://www.voluntarygateway.ca>

By partnering with registered charities and non-profit organizations serving the charitable sector in the delivery of innovative education and training programs, the CRA is able to increase the number of educational products available to registered charities and utilize different means and channels of communication to deliver these products.

Human Resource Council for the Voluntary & Non-Profit Sector – <http://www.hrcouncil.ca/>

- Provides tools and information about human resources specifically for organizations in the voluntary sector.
- Conducts research on the workforce of the non-profit and voluntary sector.





ANNEX A: PHASE I DATES AND LOCATIONS

Consultations with small and rural charities		
DATE	LOCATION	GUEST SPEAKER
October 3, 2007	Toronto, Ontario	Georgina Steinsky-Schwartz President and Chief Executive Officer Imagine Canada www.imaginecanada.ca
October 11, 2007	Saskatoon, Saskatchewan	Christine Epp Coordinator Volunteer Saskatoon www.volunteersaskatoon.com Arla Gustafson, Executive Director Royal University Hospital Foundation www.ruhf.org
October 13, 2007	Lethbridge, Alberta	Laurie Ruff Executive Director Volunteer Lethbridge www.volunteerlethbridge.com
October 15, 2007	Kelowna, British Columbia	Leanne Hammond-Komori Executive Director Central Okanagan Foundation www.centralokanaganfoundation.org
October 19, 2007	Trois-Rivières, Québec	Pierre Riley General Director Fédération des centres d'action bénévole du Québec www.fcabq.org
October 24, 2007	Moncton, New Brunswick	Claudette Bradshaw Chair Community Non-Profit Task Force (New Brunswick) http://www.gnb.ca/cnb/promos/nptf/index-e.asp

Supplementary consultations	
DATE	GROUPS INVOLVED
On-going	Sector Leaders
October 22, 2007	Federal, Provincial, and Territorial Teleconference
November 8, 2007	Technical Issues Working Group Teleconference

ANNEX B: PHASE II PANEL MEMBERS

MEMBERS	SECRETARIAT
<p>Andrée Allard Coordinator Foyer des Marins Stella Maris, Division Trois-Rivières</p> <p>David Balderstone Executive Chair Saskatoon Youth Orchestra</p> <p>Laura Bowes Treasurer Canadian Centre for Progressive Christianity</p> <p>Enid Corbett Board Member Toronto Diocesan Anglican Church Women</p> <p>Claude Déom Syndic Comité des Oeuvres Charitables du Conseil # 3096 l'Assomption</p> <p>Géraldine Desjardins Treasurer La Fondation Viola Léger inc.</p> <p>Bethany Dykstra Board Member Support People of Today (SPOT) Food Bank/Used Clothing Depot</p> <p>Wilf Manning Vice President Okanagan Jazz and Blues Society</p> <p>Brian McCauley (Chair) Assistant Commissioner Canada Revenue Agency</p> <p>Lucille Thibault Treasurer La Société historique de Grande-Digue (NB)</p>	<p>Terry de March Director General, Charities Directorate Canada Revenue Agency</p> <p>David Moore Director, Client Interface and Service Division Charities Directorate Canada Revenue Agency</p> <p>Colleen Cameron Senior Policy Analyst Charities Directorate Canada Revenue Agency</p> <p>Jennifer Williams Policy Analyst Charities Directorate Canada Revenue Agency</p>

ANNEX C: PHASE II TERMS OF REFERENCE

Panel session dates

The Panel met three times in late November and early December in Ottawa. Panel members travelled to Ottawa to participate in panel discussions, and they participated via teleconference during inclement weather. The meetings were held on:

- November 22 and 23, 2007;
- December 4 and 5, 2007; and
- December 10 and December 11, 2007.

Role of the Panel – terms of reference

Objective

The Panel reviewed and validated the findings of the Phase I consultations and worked collaboratively with the CRA to develop a joint action plan for the Minister of National Revenue. The action plan focuses on improving services and reducing the burden faced by small and rural charities in obtaining and maintaining charitable registration status, ultimately leading to improved compliance.

Panel organization and structure

The Panel was chaired by Brian McCauley, Assistant Commissioner of the CRA's Legislative Policy and Regulatory Affairs Branch. Membership of the Panel was made up of nine individuals from small and rural charities who participated in one of the six workshops and who demonstrated a solid understanding of the legislative framework governing registered charities, particularly as it relates to the obligations and challenges faced by small and rural charities in Canada. The Director General of the Charities Directorate and other officials from the Charities Directorate served as the secretariat to the Panel.

Mandate

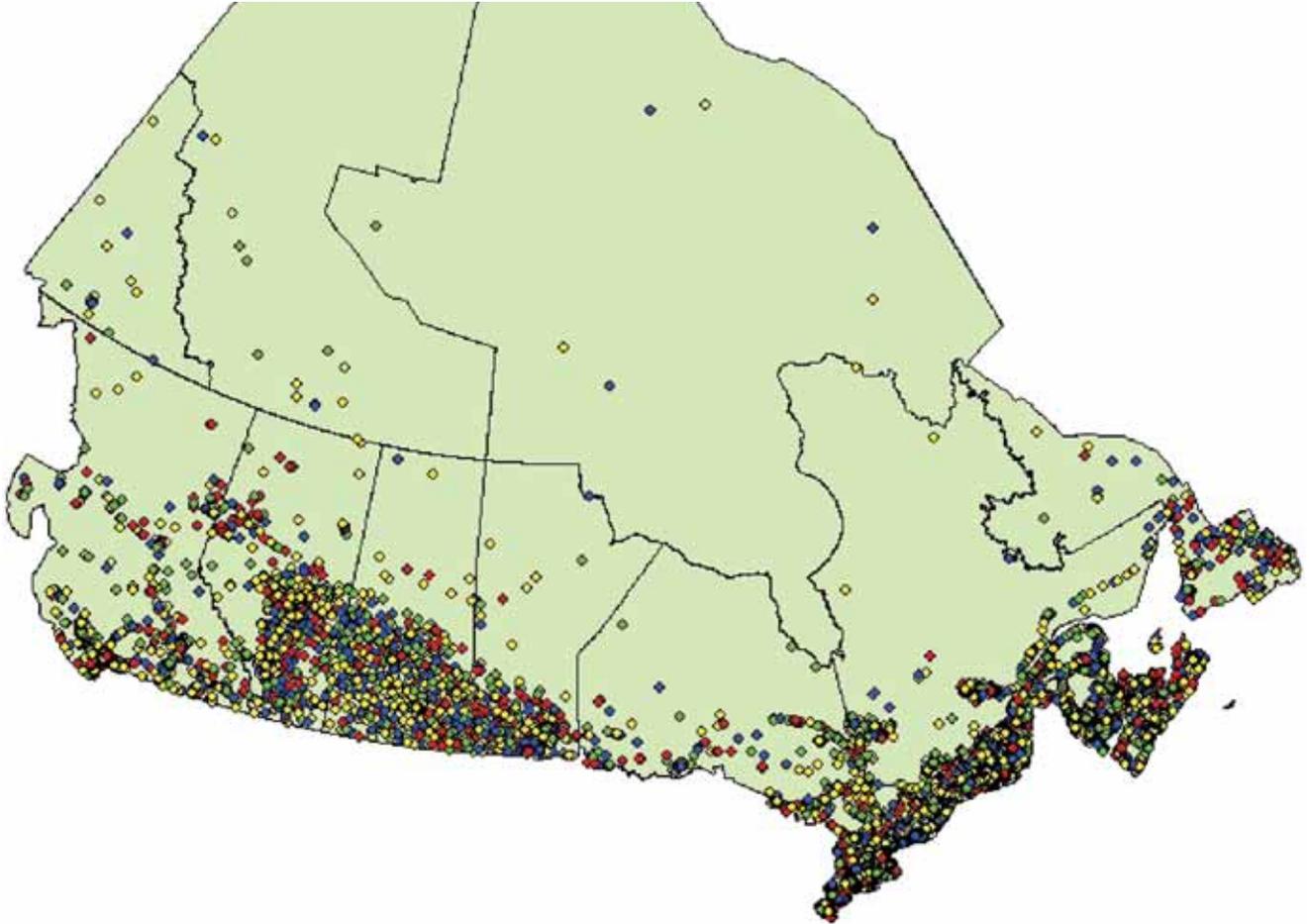
The key functions of the Panel were to:

- 1) identify a few key areas where the administrative practices, service delivery and/or regulatory requirements could be adjusted to ease the burden on small and rural charities; and
- 2) consider a few key ways of reducing burden in order to facilitate voluntary compliance.



Standing, (L to R): Colleen Cameron, Andrée Allard, David Moore, Wilf Manning, Terry de March, Laura Bowes, Géraldine Desjardins, Brian McCauley, Bethany Dykstra, Lucille Thibault, Claude Déom. Seated, (L to R): Enid Corbett, the Honourable Gordon O'Connor, David Balderstone, Jennifer Williams.

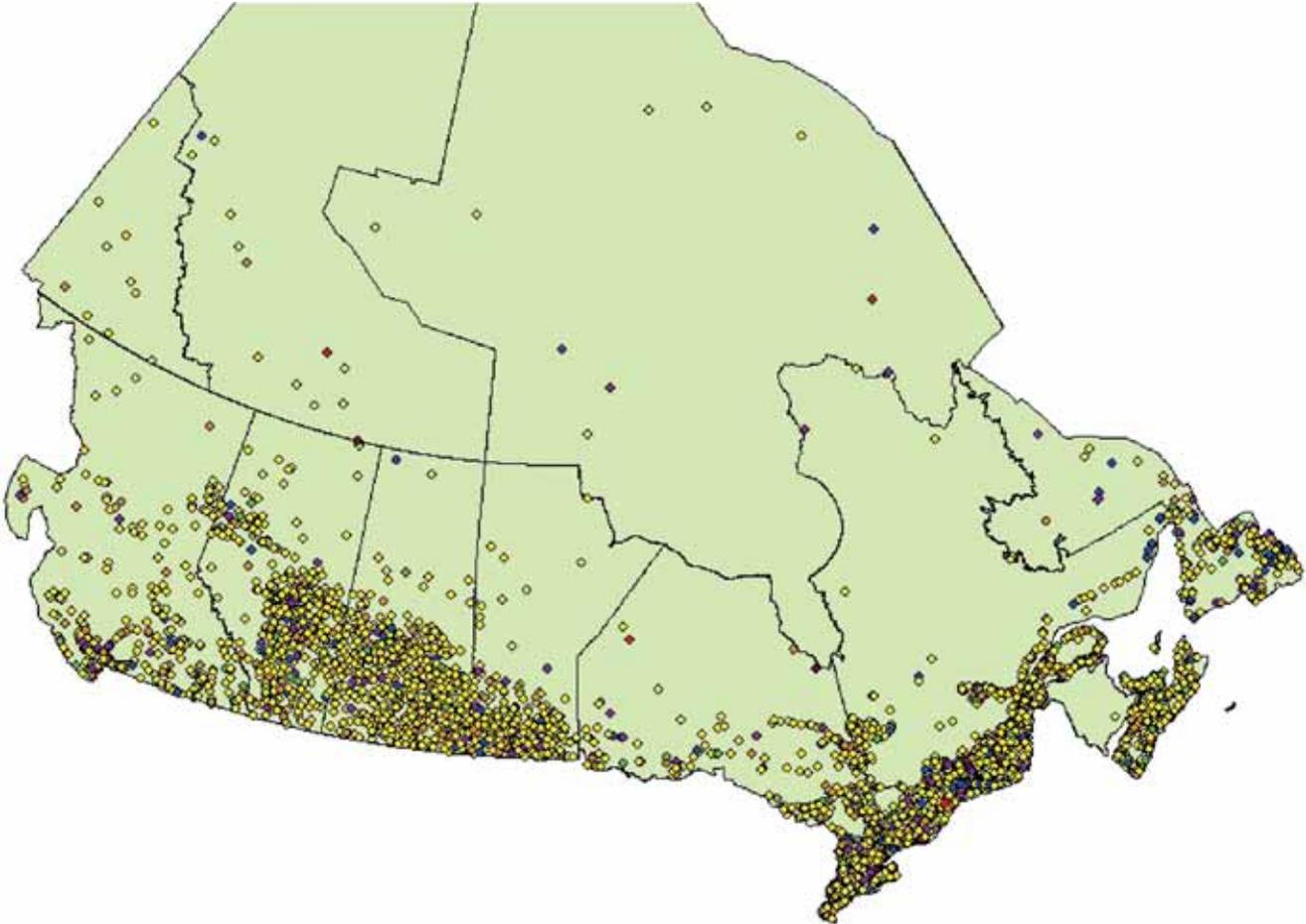
Location of Small Charities in Canada



Revenue

- Revenue < \$25,000
- Revenue \$25,000 – \$50,000
- Revenue \$50,000 – \$75,000
- Revenue \$75,000 – \$100,000

Location of Rural Charities in Canada



Revenue

- Revenue < \$25,000
- Revenue < \$25,000 – \$50,000
- Revenue < \$50,000 – \$75,000
- Revenue < \$75,000 – \$100,000
- Revenue < \$100,000 – \$500,000
- Revenue < \$500,000 – \$1,000,000
- Revenue >= \$1,000,000

