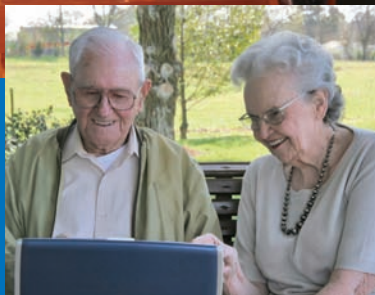


Charitable Giving



BE A WISE DONOR

The purpose of this booklet is to provide general information to the public about charitable giving. The booklet describes the different status of groups who may be involved in charitable fundraising and the unique aspects of being a registered charity – such as giving out an official donation receipt. It offers tips on what kinds of questions a person might ask and where they could go to get information that would help them decide if a charity is legitimate. This booklet is not intended to contain a complete statement of the law in the area of charitable and non-profit law, and changes in the law may occur from time to time. This booklet should only be used as an information resource. Anyone needing specific advice on his/her own legal position should consult a lawyer. PLEIS-NB and those who contributed to the production of this booklet will not be responsible for any loss or damage caused by reliance on any statement contained in this publication made negligently or otherwise.

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Canada



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What should I know about charitable giving?

Each year Canadians give generously to a wide variety of charitable causes and organizations. Statistics Canada reports that health organizations get the greatest number of donations, while religious organizations get the greatest amount of money.

Given the number of registered charities across Canada – approximately 82,000 - it can sometimes be difficult to know what each one does and whether you should make a donation. As well, there are also thousands of non-profit organizations that raise money for their causes. The vast majority of organizations who approach the public for donations are legitimate and they rely on donations of money, time and property to do their good work. Unfortunately, there are a few fraudulent organizations and people out there. Donors may wonder how they can find out more about the various organizations that ask for their support.



This booklet offers information that can help YOU to be a wise donor by making informed choices about charitable giving.

When someone from a charitable organization knocks on my door, calls on the phone, contacts me by email, or mails me a donation form, how can I be a wise donor?

Consider the following six steps, and you should be able to make a wise choice:

Step 1 –

Decide what non-profit or charitable activities you want to support

Charitable giving can take many different forms, depending on the donor. For example, some people...

- make donations to every charity that approaches them;
- have favourite causes and favourite charities that they support;
- support only local charities – attend fundraising events and so on;
- give to large, well-known national charities;
- support “umbrella” charities that use the donations to provide grants to many different non-profit organizations and charities in the community.



To be a wise donor, you may need to know more about the organizations that ask you for money to help their causes. Here are some things to consider:

What is a non-profit organization?

Groups raising money for public benefit, rather than for profit, are usually called “Not-For-Profit” organizations – or ‘non-profits’. They are organized for purposes and activities such as social, religious, charitable, educational, athletic, literary, political, and so on. They include, for example, service clubs, sports associations, theatre, dance and music groups, activity clubs, religious fellowships, educational and literary societies and community service associations.



Although there are many different kinds of “Not-For-Profit” organizations they all have one thing in common. The people involved in the “Not-For-Profit” organization cannot use it to make personal financial gain.

What else should I know about “Not-For-Profit” organizations?

Non-profits can be formal (incorporated) or informal (unincorporated). A non-profit that operates informally may eventually decide to incorporate as a non-profit company. A Non-



Profit that is incorporated means that a group of people with a common goal has formalized their relationship and created a non-profit company that meets the legal requirements for incorporation. They must show that they have non-profit purposes. This does not necessarily mean they are also a registered charity.

In New Brunswick, “Not-For-Profit” organizations usually incorporate under the *Companies Act*. The company becomes a separate legal entity from the members. The company is required to file a simple information annual return under the *Companies Act*. It is not a financial return. (For information on finding out about an organization’s incorporation status, see step 2 below.)

DID YOU KNOW... if you give to an organization that is not a registered charity, even though you may receive a receipt, you will not be able to claim your donation as a deduction on your income tax return.

If getting a tax deductible receipt is important to you, then make sure that you are giving to a registered charity.

What is a registered charity?

A registered charity is an organization, corporation, or trust that has been registered as a charity under the *Income Tax Act* by the Minister of National Revenue.

Becoming a registered charity under the *Income Tax Act* involves applying to the **Canada Revenue Agency (CRA)** and meeting the necessary criteria to show that the purposes of the organization are charitable. Only the CRA can grant official registered charitable status.

Charities registered under the *Income Tax Act* can issue official donation receipts for the gifts they receive from individual or corporate donors.



Why don't all non-profit organizations become registered charities?

Non-profit organizations have one or more activities that fall outside the definition of charitable purposes. Although they are non-profit, they may not qualify to be a registered charity under the *Income Tax Act*.

For example, community associations, sports teams and youth groups that raise money to support their causes may not be registered charities. That does not mean they are not reputable or worthy of your support. But it can make it more difficult for you to gather information about them. As well, there may be less government regulation of their activities.



IT'S YOUR DECISION!

How you give, and to which non-profits and charities, is an individual choice.

Take the time to think about what kind of "donor" you wish to be – and then stick to it. You should never feel pressured into giving to charities that you did not intend to support.

Step 2 –

Find out if the organization is an incorporated non-profit or a registered charity

To find out if you are giving to one of the thousands of registered charities take the time to do a little checking first. Here are some places where you can check up on registered charities and non-profits.

Registered Charity?

To find out, you can visit the Canada Revenue Agency's Web site at:

www.cra.gc.ca/charities

- Is the organization a registered charity?

The **Canada Revenue Agency** (CRA) registers and regulates qualifying organizations as charities under the *Income Tax Act*.

The CRA keeps a searchable list of EVERY registered charity in Canada on its website. You can view the information the registered charities submitted to the CRA, including annual information returns. These returns which must be filed annually with the CRA, include detailed information about the organization's ongoing activities, board members, and finances. You can also find the business number or registration number, mailing address, and information about the type of charitable activities.

You can also access a listing of charities registered under the *Income Tax Act*, including background and financial information by contacting:

Canada Revenue Agency

Toll Free English: 1-800-267-2384

Toll Free Bilingual: 1-888-892-5667

A word of caution: Registration cannot guarantee an organization is legitimate. However, it does show that the CRA inspected the organization's affairs when it applied for registration as a charity. Once registered, charities have on-going reporting requirements and they may be audited to ensure the information they submit is accurate and the money donated to the organization is being spent appropriately. Still, the information on the website is provided by the charity. It is not necessarily verified for accuracy and completeness by the CRA.

- If you can't find a charity on the list of registered charities, check further into their status.

You can also check out the CRA's website to find a list of newly registered charities and organizations which have had their status revoked or annulled. Registered charities can lose their charitable status or be fined by the CRA if they fail to comply with requirements of the Income Tax Act.

- **Know what information must be on an *Official Donation Receipt***

Registered charities under the *Income Tax Act* can give an official donation receipt. You can file this receipt with your Income Tax and Benefit Return to reduce the income tax that you owe.



An official donation receipt includes, in a manner that cannot be readily altered, at least the following information:

- a statement that it is an official receipt for income tax purposes;
- the name and address in Canada as recorded with the Canada Revenue Agency;
- the charity's business or registration number;
- the serial number of the receipt;
- the location where the receipt was issued;
- if it is a cash donation, the day on which or **the year** during which the charity received the donation;
- if the donation is a gift of property other than cash, i.e., a gift-in-kind:
 - the day on which the charity received the donation,
 - a brief description of the gift, and
 - the name and address of the appraiser of the property if an appraisal was completed;
- the day on which the charity issued the receipt (if that day differs from the date on which the charity received the donation);
- the name and address of the donor including, in the case of an individual, the first name and initial;
- the amount of a cash donation, or if the donation is a gift other than cash, the amount that is the fair market value of the gift at the time it was made;

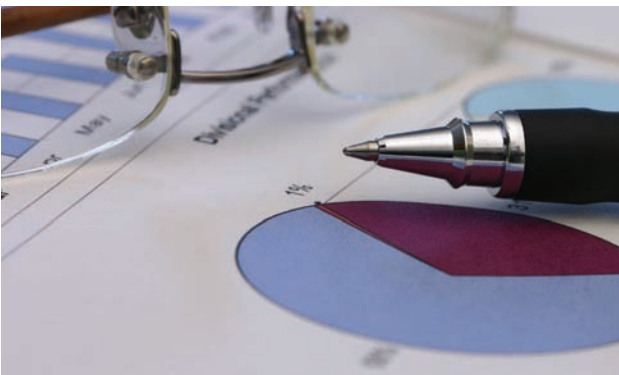


- the signature of the individual(s) authorized by the charity to issue receipts; and
- the name **Canada Revenue Agency** and the Web site address www.cra.gc.ca/charities
- **Check the Corporate Registry**

The Corporate Registry of Service New Brunswick has information on whether a particular company is incorporated as a non-profit company under the Companies Act. As well, companies incorporated outside of New Brunswick that carry on activities in New Brunswick must register under the *Business Corporations Act*. However, non-profits incorporated outside of New Brunswick can apply for an exemption from this registration requirement. In fact, all Nova Scotia non-profit companies are automatically exempted.

You may access information in the Corporate Registry by searching the database at www.snb.ca (**\$3 per search**), or, call **506-453-2703** (**\$5 per search**). All searches are subject to HST. General information inquiries may be addressed to:

Corporate Affairs Branch
Service New Brunswick
P.O. Box 1998
Fredericton, NB
E3B 5G4



Step 3 –

Ask QUESTIONS about the charitable organization

To make informed decisions about giving, you should ASK lots of questions. Ask for information on the organization, their history and how the funds will be used to meet their goals. This will help you avoid becoming a victim of fraud. Here are a few questions that you might ask:

What is the mission and goal of your organization?

Ask for the annual report. It can be a great source of information on an organization. It generally contains a mission statement, financial information, and reports on projects. As well, it will have a listing of the Board of Directors and staff.

Is the organization a “registered charity” under the Income Tax Act?

If it is, you can request an official donation receipt for your donation.

Who funds the charitable organization?

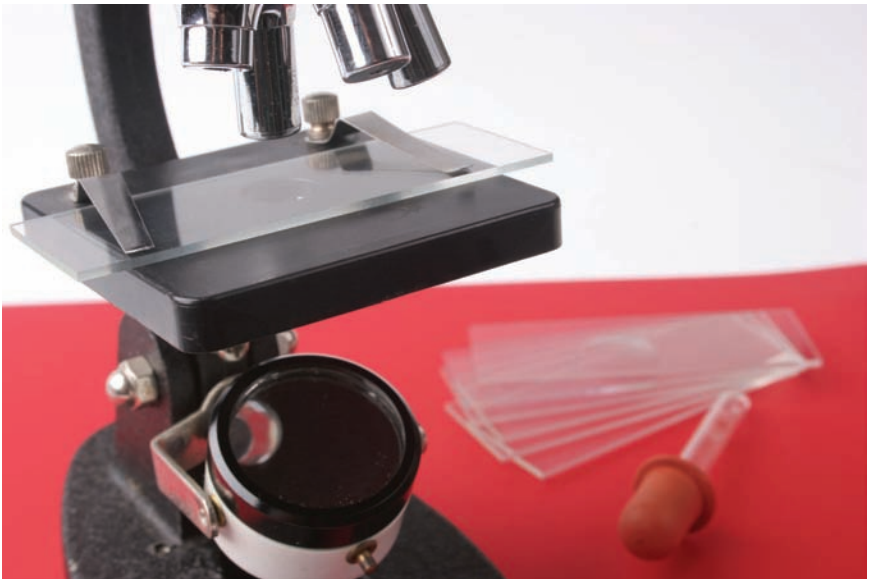
Don't be shy to ask where the organization gets its funding. Knowing about funders and community partners gives you insight into the charity and its status in the community.



How much money has been raised in support of the project or organization to date? How is it being spent?

Organizations of every size have administrative costs to cover expenses such as rent, phone, postage, equipment and staffing. Money raised to support the organization may be used to cover these expenses but the majority of the donations received should be used for charitable purposes. Other related questions might include:

- ⇒ What is the project or program all about?
- ⇒ What expenses are associated with these programs?
- ⇒ How much of the money is being spent on programs in my community or province and how much goes elsewhere.



Step 4 –

Watch out for con artists and fraud

Here are a few more tips to help you be a wise donor and avoid becoming a victim of fraud:

- o **Decide to make a donation based on information, not emotion.**

Some organizations use emotional appeals or hard luck stories to gain support for their charity. The stories may be accurate truthful accounts, but you don't let your emotional response cloud your judgment. If you feel strongly about supporting a charity, it doesn't hurt to learn more about the cause and the organization before you give. A little effort can help ensure your donation goes where you want it.

- o **Copy Cat Organizations – know whom you are dealing with.**

Organizations may use names that are similar to an established charity. When you hear these misleading names, you may think you are giving to the established charity. Carefully look at the name of the organization and ask questions to be sure they are the organization you believe them to be.



o Beware of ‘gifts’ and prizes.

Charities may use gifts or prizes to encourage donors to give to their organization. If you receive a gift along with a request for a donation from an organization, you may wish to make a donation, but you are not obligated to do so.

o Be aware of the role of professional fundraisers.

There are a growing number of professional fundraisers and call centers whose business is to seek donations on behalf of charitable organizations. This may include hosting bingo games or other events, as well as telephone and mail campaigns. Professional fundraisers can genuinely benefit the charity, but it is wise to ask how much of your money will go to the charity. If a high portion goes to administration, you might want to make your donation directly to the charity.

o Check for police alerts about con artists.

Check with your local police or RCMP for alerts on con artists and fraud in your area. If you suspect that something fraudulent is happening report it.

And be careful about giving out your credit card information, especially over the phone.



Step 5 –

Know what to look for at fundraising events - Monte Carlo nights, raffles, bingo games, and other events

Many non-profits and registered charities organize lotteries, bingos and raffles to raise money. Such activities are referred to as “gaming” or gambling. In Canada, gaming is governed by the *Criminal Code of Canada*. Generally speaking, the Code says that gambling is illegal unless licensed by a provincial government. The Lotteries Commission of New Brunswick, under the authority of the *Lotteries Act*, licenses charitable gaming and sets out the terms and conditions for getting a lottery license. Here are some things to look for to be sure that the event you support is legitimate:



o Look for a charitable gaming license

The Terms and Conditions for Lottery Licensing require that the organization holding the lottery post the licence in a conspicuous place in the building where the lottery is being held. The organization must be able to produce the lottery licence on demand.

o Check for the lottery licence number on raffle tickets

Raffle tickets with a prize value over \$500 must have the lottery licence number issued by the Licensing Authority on them. The licence number must be prominently printed on all tickets and the tickets must be numbered.

o Find out who is conducting the event

The organization that is sponsoring the lottery cannot delegate the conduct and management of the event to another organization or to a person who is not a member of the organization. In special circumstances the Licensing Authority may make an exception to this rule.

o Contact the Licensing Authority

It is an offence under the *Criminal Code of Canada* to conduct a gaming event without a valid licence. If you are not sure of the integrity or conduct of any charitable gaming event, contact:

Department of Public Safety
P. O. Box 6000
Fredericton, NB
E3B 5H1

Telephone: (506) 453-7472
Fax: (506) 453-3044



Step 6 –

Gather general information about consumer rights and fraud

For New Brunswick

❑ **Consumer Affairs, New Brunswick Department of Justice and Consumer Affairs** (www.gnb.ca)

The branch receives calls from the public and can offer tips to help prevent fraud.

Staff typically advises callers not to give out personal information or banking information over the phone. They will refer callers to Canada Revenue Agency for a list of registered charities. For general consumer information contact:



Consumer Affairs Branch

New Brunswick Department of Justice and Consumer Affairs

P.O. Box 6000, Fredericton, N.B. E3B 5H1

(506) 453-2682

❑ **Public Legal Education and Information Service of New Brunswick**

www.legal-info-legale.nb.ca

This non-profit organization produces materials on the law, including information about the incorporation of non-profit organizations.

Call 506-453-5369 or fax 506-462-5193.

Across Canada

❑ Canadian Consumer Information Gateway

This consumer portal provides access to information from Canada's governments and non-government organizations. From this website you can find information on various consumer topics, learn about services offered and even file complaints. www.consumerinformation.ca.

❑ Canadian Consumer Handbook 2005

This guide published by Industry Canada's Office of Consumer Affairs offers general information on complaining effectively, consumer tips, and a directory of organizations. It is available online at <http://strategis.ic.gc.ca/oca>. **Or call the Office of Consumer Affairs at (613) 952-1918 to request a copy.**



Charitable Giving Feedback Survey

Your feedback on this publication is very important to us. It was developed to help individuals make informed decisions about charitable donations. How well did we do? Please take a few minutes to answer these questions.

1. The information in this publication was:

helpful somewhat helpful not helpful

Comments:

2. PLEIS-NB strives to provide publications in plain language so that the information is clearly explained. This information in this publication was:

easy to understand somewhat easy difficult to understand

Comments:

3. Please indicate what information you found new or helpful in this publication:

Information on registered charities and non-profit organizations
 Information on official tax receipts
 Services provided by Canada Revenue Agency

Comments:

4. Would you recommend this publication to others to provide information about making charitable donations?

yes maybe no

Comments:

5. This publication is distributed by many organizations and departments. Where did you receive your copy?

- Service New Brunswick
- Office of the Rentalsman and Consumer Affairs
- Public Legal Education and Information Service
- Canada Revenue Agency

Comments:

6. General comments or suggestions:

Comments:

Thank you for taking the time to provide this feedback. Please send your comments to Public Legal Education and Information Service of New Brunswick.

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