
THE REVISED CRA GUIDANCE ON FUNDRAISING: IMPROVED BUT STILL CHALLENGING

*By Terrance S. Carter**

A. INTRODUCTION

On June 11, 2009, the Charities Directorate of the Canada Revenue Agency (“CRA”) released its much anticipated Guidance (CPS-028): Fundraising by Registered Charities (the “Guidance”), that applies to fundraising activities by registered charities.¹ The Guidance, which includes 23 pages of additional information that elaborates on the Guidance (the “Additional Information”),² replaces CRA’s previous policy on fundraising (CPS-001), entitled “Applicants that are Established to Hold Periodic Fundraisers.”³

Readers will recall that CRA released an earlier draft version of the Guidance that was entitled “Consultation on Proposed Policy on Fundraising by Registered Charities” (the “Proposed Policy”),⁴ as well as a draft earlier version of the Additional Information that was entitled “Background Information for Proposed Policy on Fundraising by Registered Charities” (the “Proposed Background Information”)⁵ in March and June of 2008, respectively, in order to consult with the charitable sector on their contents before releasing them in

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¹ Canada Revenue Agency, *Policy Statement CPS-028, Guidance on Fundraising by Registered Charities* (11 June 2009), online: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cps/cps-028-eng.html>.

² Canada Revenue Agency, *Additional information on Guidance CPS-028, Fundraising by Registered Charities* (11 June 2009), online: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cps/cps-028-ddn-eng.html>.

³ Canada Revenue Agency, *Policy Statement CPS-001, Applicants that are Established to Hold Periodic Fundraisers*. This policy is no longer publicly available.

⁴ Available online at <http://www.cra-arc.gc.ca/tx/chrts/cnslttns/fndrsng-eng.html>.

⁵ Available online at http://www.cra-arc.gc.ca/tx/chrts/cnslttns/fndrsng_bkgnd-eng.html.

final form. The major impetuses for the creation of the Proposed Policy was to respond to the media and general public's increasing demand for accountability with regard to charitable fundraising. The Proposed Policy was even covered in a front-page article in the *Toronto Star* shortly after it was released in May 2008.⁶ The Guidance has now been in refinement for over a year, and given the importance of fundraising to the charitable sector, its release has been closely followed by most stakeholders in the sector. However, while the Guidance represents a significant improvement over the Proposed Policy and the Proposed Background Information, it will likely prove to be challenging for charities to comply with.

This *Charity Law Bulletin* summarizes the content of the Guidance, emphasizing some of the major changes from its earlier draft versions, and comments on the challenges that charities may face in attempting to comply with the Guidance when carrying out their fundraising programs.

B. OVERVIEW AND COMMENTARY ON THE GUIDANCE

A detailed review and analysis of all the many aspects of the Guidance is beyond the scope of this *Charity Law Bulletin*. Instead, what follows is intended to provide an overview of the key aspects of the Guidance and the noticeable differences between the Guidance and the Proposed Policy, including the Proposed Background Information.⁷

1. Preliminary Matter

As a preliminary matter, the reference in the Guidance to a second document, i.e. the Additional Information, intended to provide supplementary information should not be considered as an indication that the Additional Information is of lesser importance, or merely "background information," as it was initially described in the earlier Proposed Policy. Since the Guidance is only nine pages in length, many portions of it are very concise and require further explanations that are provided through cross-references to the more comprehensive Additional Information. As such, readers are advised to treat the two documents as, in essence, a single policy on fundraising, and to read and consider both in their entirety. However, although some readers may find the frequent use of cross-references to be unwieldy

⁶ Kevin Donovan, "Watchdog sets charity rules" *Toronto Star* (5 May 2008).

⁷ For further information regarding the Proposed Policy, please see Terrance S. Carter, "CRA Consultation Paper for a Proposed Policy on Fundraising by Registered Charities", *Charity Law Bulletin* 138 (23 April 2008), online: <http://www.carters.ca/pub/bulletin/charity/2008/chylb138.pdf>; and Theresa L.M. Man & Terrance S. Carter, "Be Careful What You Ask For: CRA Proposed Policy on Fundraising", *Charity Law Bulletin* 142 (5 August 2008, revised 15 September 2008), online: <http://www.carters.ca/pub/bulletin/charity/2008/chylb142.pdf>.

(especially when the documents are printed), when read online, all cross-references are hyperlinked from the Guidance, which assists with the readability of the two documents as a whole.

It should be noted that the Additional Information has been noticeably simplified and shortened from approximately 31 pages to 23 pages, whereas the Guidance is only slightly longer because of the addition of a helpful new “questions and answers” section at the end of the Guidance.

2. Fundraising in the Charitable Context

The Guidance begins by reminding the reader that registered charities are required by law to have exclusively charitable purposes, but because the *Income Tax Act* (Canada) (the “ITA”)⁸ does not define the meaning of “charity” or what is “charitable”, the common law meaning is applicable. The basis of the Guidance is that at common law, fundraising is not charitable in-and-of-itself,⁹ which means that the direct costs of fundraising cannot usually be reported as a charitable expenditure of a registered charity. However, the Guidance states that if a fundraising activity is appended to another activity that is primarily directed at achieving a charitable purpose, the charity may, under certain specified situations, allocate the costs between fundraising and charitable expenditures. This issue is discussed in more detail below.

The introduction of the Guidance states that CRA “recognizes that registered charities in Canada often depend on charitable donations and other sources of revenue to carry out their charitable works. For many charities, this means that a proportion of their resources will be used for fundraising to support their charitable work.” This statement sets a tone that is more sensitive to the reality faced by the charitable sector than the Proposed Policy did, which is due in part to the concerns that some members of the charitable and fundraising communities expressed with regard to the Proposed Policy having cast fundraising in a somewhat negative light.¹⁰

CRA specifically notes at the outset of the Guidance that in addition to complying with the Guidance, charities must also continue to meet all other requirements of the ITA, such as its annual disbursement

⁸ R.S.C. 1985, c. 1 (5th Supp.).

⁹ *Oxford Group v. I.R.C.*, [1949] 2 All E.R. 537; and *Vancouver Society of Immigrant and Visible Minority Women v. Minister of National Revenue*, [1999] 1 S.C.R. 10.

¹⁰ See, for example, Association of Fundraising Professionals, “AFP Submits Comments on CRA Fundraising Guidelines Proposal” (8 September 2008), online: http://www.afpnet.org/ka/ka-3.cfm?content_item_id=24645&folder_id=2485.

quota. While this is not a change in the position of CRA, it was not previously expressly stated in the Proposed Policy, which could otherwise have led to potential confusion between the need to comply with statutory disbursement quota requirements and fundraising expenditure requirements in the Proposed Policy. As such, this addition in the Guidance is a helpful clarification.

3. Definition of Fundraising and Other Terms

Whereas the Proposed Policy defined the concept of “solicitation and support” only in the Proposed Background Information, the Additional Information now includes a separate section on “What is Fundraising”, and explains that as a general rule, fundraising constitutes any activity, either carried out by the charity or by another party acting on the charity’s behalf, that:

- includes a solicitation of support for cash or in-kind donations (solicitations of support include sales of goods or services to raise funds);
- is part of the research and planning for future solicitations of support; or
- is related to a solicitation of support (efforts to raise the profile of a charity, donor stewardship, donor recognition, etc.).

However, the Guidance, as well as the Additional Information make it clear that the definition of fundraising does not include requests for funding from governments or from other registered charities. This is an important clarification and improvement from the Proposed Policy.

It is important that charities understand what types of activity are considered to be fundraising from CRA’s perspective, as this will determine whether the Guidance itself will have application to a particular activity. The Additional Information elaborates on a number of specific activities and examples, such as donor recognition, the sale of goods and services, and membership programs. Given the broad definition of “fundraising” used in the Guidance, it may prove to be necessary for CRA to continue developing the definition through the inclusion of additional examples.

In order to provide more clarity, the Guidance also includes a consolidated section to define concepts that are used throughout the Guidance and Additional Information, namely: ancillary and incidental purpose; arm’s length and non-arm’s length; cause-related or social marketing; disclosure; fundraising

activity; and resource(s). These terms were previously defined and referenced at various parts of the Proposed Background Information.

4. Prohibited Fundraising Conduct

It should be noted that the Guidance does not address fundraising in the context of charities operating a related business or fundraising to support terrorism. These two issues are dealt with in separate CRA policies and documents that are referenced in the Guidance.¹¹

What the Guidance does do is outline four types of prohibited conduct related to fundraising that are grounds for revoking a charity's charitable status, imposing compliance actions, or denying charitable registration. The four types include fundraising conduct that (A) is illegal or contrary to public policy; (B) is a main or independent purpose of the charity; (C) results in more than an incidental or proportionate private benefit to individuals or corporations; and (D) is misleading or deceptive.

There are some differences in the wording of prohibited conducts (B) to (D) between the Proposed Policy and the Guidance, although based on a general comparison of the explanatory sections in the Proposed Background Information and the Additional Information, most of the changes do not appear to create substantive differences in meaning.

Prohibited conduct (B) no longer states "main, prevailing, or independent" but now only states "main or independent". It should be noted that the Proposed Background Information had stated that registered charities "are not permitted to have fundraising as their main or prevailing purpose. Fundraising may also not be an independent purpose of a registered charity." However, the Additional Information states that "registered charities cannot have fundraising as a main or independent purpose, *even if secondary* [emphasis added]." It is uncertain whether the express exclusion of "secondary" purposes was intended

¹¹ Regarding the issue of related business, charities are directed to *Policy Statement CPS-019, What is a Related Business?* (30 April 2003), online: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cps/cps-019-eng.html>; and *Policy Commentary CPC-002, Related business* (3 December 2002), online: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cpc/cpc-002-eng.html>. For further information on related business, please see Terrance S. Carter and Theresa L.M. Man, "Business Activities and Social Enterprise: Towards A New Paradigm" (Paper presented to The Canadian Bar Association/Ontario Bar Association – 2009 National Charity Law Symposium, May 2009), online: <http://www.carters.ca/pub/article/charity/2009/tsetlm0507.pdf>. Regarding the issue of supporting terrorism, charities are directed to *Registered Charities Newsletter* No. 12 (Spring 2002), online: <http://www.cra-arc.gc.ca/E/pub/tg/charitiesnews-12/news12-e.html>; and *Registered Charities Newsletter* No. 20 (Fall 2004), online: <http://www.cra-arc.gc.ca/E/pub/tg/charitiesnews-20/README.html>. Also see *CRA Checklist For Charities On Avoiding Terrorist Abuse*, online: <http://www.cra-arc.gc.ca/tx/chrts/chcklsts/vtb-eng.html> and, *Anti-Terrorism and Charity Law Alert* No. 17 (April 29 2009), online: <http://www.carters.ca/pub/alert/ATCLA/ATCLA17.pdf>

to create a substantive change, but arguably, it emphasizes a broader definition of “main and independent”. Ultimately, based on the explanation of prohibited conduct (B) in the Additional Information, it is unclear whether there is any substantive significance in the removal of the word “prevailing” because it is simply a synonym for “main.”

Prohibited conduct (C) has been rephrased from “excessive or disproportionate private gain” to “more than an incidental or proportionate private benefit”. Although the vantage point of the wording of the phrase has been somewhat changed, a general comparison of the Proposed Background Information and the Additional Information reveals no significant differences. Based on the references to case law to support this proposition in the Additional Information, the rephrasing of prohibited conduct (C) appears to better accord with the wording from the case law. Also, the Additional Information now includes a reference to another CRA document for further explanation about private benefit.¹²

In the Proposed Policy, prohibited conduct (D) , “[a] charity not devoting 100% of resources to charitable ends since the harm arising from the charity's fundraising practice outweighs its public benefit” was lengthy and convoluted. This has been clarified in the Guidance to now simply prohibit conduct that “is misleading or deceptive.” By way of example, the Additional Information states that “[r]egistered charities must not misrepresent: which charity will receive the donation; the geographic area in which the charity operates, and the amount and type of its work; or the percentage of funds raised that will go to charitable work.”

5. Allocation of Fundraising Expenditures

In general, a registered charity must report all fundraising expenditures in its T3010A annual information return (as well as T3010B for year ends after January 1, 2009). These expenditures include “all costs related to any activity that includes a solicitation of support, or that is undertaken as part of the planning and preparation for future solicitations of support.” However, an activity does not have to be reported as fundraising expenditures if the charity can demonstrate the “the activity would have been undertaken whether or not it included a solicitation of support.” There are two methods in which a charity can demonstrate this: (1) satisfying the “Substantially All Test”, which means that a charity does not have to report any of the costs of the activity as fundraising expenditures; or (2) satisfying the “Four

¹² Guide RC4143, Registered Charities: Community Economic Development Programs, online at: <http://www.cra-arc.gc.ca/E/pub/tg/rc4143/rc4143-e.pdf>

Part Test”, which allows it to allocate a portion of the costs as non-fundraising expenditures and the other portion as fundraising expenditures.

a) Substantially All Test

The Substantially All Test means that an activity would have been undertaken without a solicitation of support if substantially all of the activity advances an objective other than fundraising. For the purposes of this test, substantially all is considered to be 90% or more. The Additional Information elaborates on this test with a number of helpful explanatory notes and examples.

b) Four Part Test

If the Substantially All Test is not met, a charity can still show that the activity would have been undertaken without the solicitation of support if the answer to all of the following four questions is “no”. Each question is explained in detail in the Additional Information.

1. Was the main objective of the activity fundraising?
2. Did the activity include ongoing or repeated requests, emotive requests, gift incentives, donor premiums, or other fundraising merchandise?
3. Was the audience for the activity selected because of their ability to give?
4. Was commission-based remuneration or compensation derived from the number or amount of donations?

Charities may find the first question to be particularly complex. Under Question 1, the Additional Information provides two further sub-questions, with explanatory notes and examples, to assist in answering the main question. Firstly, do the resources devoted to the fundraising component of the activity indicate that the main objective is fundraising? Secondly, does the nature of the activity indicate that the main objective is fundraising? To assist in answering the second sub-question, an additional four considerations are set out to assess if and how much the content of an activity has a distinct objective other than fundraising:

- advancing the programs, services, or facilities offered by the charity;
- raising awareness of an issue;

- providing useful knowledge to the public or the charity's stakeholders about the charity's work or an issue related to that work; and
- being transparent and accountable for its practices by providing information about its structure, operations, or performance to the public or its stakeholders.

There are some noteworthy differences between the Four Part Test, as explained in the Additional Information, compared to what had originally been in the Proposed Background Information. Previously, Question 1 included three sub-questions, but the third question has now been removed so that it no longer asks whether or not “the nature of the resources used to carry out the activity indicate that the main objective is fundraising.” It was stated previously that if any of the sub-questions were answered in the affirmative, the Four Part Test could not be satisfied. Currently, these provisions appear to be less strict and rigid in the Additional Information, which refers to all the explanatory notes for the Four Part Test as “additional details and examples that might be useful in considering responses to the four-part test.” Previously, it was also explained under Question 1 that satisfying the Four Part Test would allow that charity to allocate 50% or more of the costs for the activity to charitable expenditures and a portion to fundraising expenditures, but there was no apparent rationale for this percentage. Currently, this percentage is no longer mentioned in the Additional Information.

6. Evaluation of Fundraising Activities

After the quantum of fundraising expenditures for a charity has been determined, the Guidance explains how CRA evaluates the appropriateness of those amounts. One of the most noticeable revisions to the Proposed Policy is in CRA's approach to and method of evaluating these expenditures. The premise behind the evaluation is the measurement of the ratio of fundraising costs to fundraising revenue in a fiscal year. Previously, the Proposed Policy set out a five-tier evaluation grid, which was described as an “initial tool” for assessing the charity's fundraising, where a lower percentage of fundraising costs would be more acceptable and vice versa. For the purpose of comparison, the chart below has been included to summarize the evaluation grid from the Proposed Policy:

Previous Proposed Policy's Categorization of Fundraising Ratios (Note: Not in effect):

Ratio of costs to revenue over fiscal period	Meaning
Under 20%	Acceptable
20% to 35%	Generally acceptable
35% to 50%	Potentially not acceptable
50% to 70%	Generally not acceptable
Above 70%	Rarely acceptable

The rigidity and arbitrariness of using five fixed-percentage ranges as an initial tool to determine the acceptability of the fundraising was a major subject of criticism when it was released in 2008, whereas the Guidance establishes a far more flexible approach. The Guidance still retains the concept of fundraising ratios, but establishes a different starting point for the evaluation, explaining that “CRA recognizes that the charitable sector is very diverse and that fundraising effectiveness will vary between organizations. There can be good reasons for a charity to incur higher fundraising costs for a particular event or in a particular year. *As a result, a range of factors will be considered in the course of a CRA review. One of the factors that the CRA will consider is the ratio of fundraising costs to fundraising revenue* [emphasis added].” The Guidance goes on to introduce the revised fundraising ratios, which are set out as follows:

Guidance's Categorization of Fundraising Ratios (Note: Currently in effect):

Ratio of costs to revenue over fiscal period	CRA Approach
Under 35%	Unlikely to generate questions or concerns.
35% and above	The CRA will examine the average ratio over recent years to determine if there is a trend of high fundraising costs. The higher the ratio, the more likely it is that there will be concerns and a need for a more detailed assessment of expenditures.
Above 70%	This level will raise concerns with the CRA. The charity must be able to provide an explanation and rationale for this level of

	expenditure to show that it is in compliance; otherwise, it will not be acceptable.
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As can be seen, the categorization of the ratios has now been reduced to three tiers, and there are no specific designations of acceptability attached to a particular tier. As such, this approach should prove to be a much more flexible way of assessing fundraising costs to fundraising revenue ratios in a fiscal year. However, the percentage of 70% continues to be an upper threshold for determining unacceptable fundraising costs, and the Guidance explains that at this level, “[t]he charity must be able to provide an explanation and rationale for this level of expenditure to show that it is in compliance; otherwise, it will not be acceptable.”

The Guidance then lists a number of other factors that will be considered in the evaluation. There are three general factors in this regard:

1. The size of the charity (in recognition that size might have an impact on fundraising efficiency).
2. Causes with limited appeal (which could create particular fundraising challenges).
3. Donor acquisition and planned giving campaigns (which could result in situations where the financial returns are only realized in later years).

The Proposed Policy had previously listed six general factors for consideration. The Guidance on the other hand, no longer refers to factors reflecting charities with (1) a main or major purpose of making gifts to qualified donees; (2) provincially-regulated lotteries and charitable gaming; or (3) cause-related or social marketing initiatives. This last factor is now addressed in the Guidance in the list of “best practices” below, so cause-related marketing will still have to be considered. The Proposed Policy had also listed “size” and “causes with limited appeal” as a single factor. This has now been separated into two factors in the Guidance as indicated above.

In addition, the Guidance includes a number of “best practices” and “areas of concern” that can be considered by CRA. These “best practices” and “areas of concern” are listed below, with each one being explained in more detail in the Additional Information:

Best practices:

1. Prudent planning processes.
2. Appropriate procurement processes.
3. Good staffing processes.
4. Ongoing management and supervision of fundraising practice.
5. Adequate evaluation processes.
6. Use made of volunteer time and volunteered services or resources.
7. Disclosure of fundraising costs, revenues, and practice (including cause-related or social marketing arrangements).

Areas of concern that could lead to further review:

1. Sole-source fundraising contracts without proof of fair market value.
2. Non-arm's length fundraising contracts without proof of fair market value.
3. Fundraising initiatives or arrangements that are not well-documented.
4. Fundraising merchandise purchases that are not at arm's length, not at fair market value, or not purchased to increase fundraising revenue.
5. Activities where most of the gross revenues go to contracted non-charitable parties.
6. Commission-based fundraiser remuneration or payment of fundraisers based on amount or number of donations.
7. Total resources devoted to fundraising exceeding total resources devoted to program activities.
8. Misrepresentations in fundraising solicitations or in disclosures about fundraising or financial performance.

Previously, the “areas of concern that could lead to further review” was entitled “conduct considered as increasing the risk of unacceptable fundraising” in the Proposed Policy. Now, the Guidance explains that the “areas of concern” could lead to further review by CRA, but does not make any statement on their effect on the acceptability of the fundraising. Although this may be a minor variation, it further reflects the more conciliatory tone of the Guidance.

The most apparent substantive change is the removal of two factors under the “areas of concern”. Firstly, there is no longer a listed concern regarding fundraising personnel receiving disproportionate compensation relative to non-fundraising personnel, which was considered under the Proposed Policy to be an indicator that the charity may be more focused on fundraising than charitable work. Secondly, there is no longer a listed concern regarding charities that contract with a third party that is not a registered charity or that is compensated based on fundraising performance for the purposes of providing both fundraising services and charitable programming.

However, there continues to be a significant emphasis on the need for public disclosure of information regarding a charity’s fundraising activities, which expectation could prove to be challenging for charities to comply with. This issue is discussed in more detail in the next section of this *Bulletin*.

C. AREAS OF CONTINUING CONCERN

As mentioned at the outset of this *Bulletin*, the Guidance constitutes a noticeable improvement over the Proposed Policy that was released for public consultation last year. It appears that CRA has taken into account many of the comments of those in the sector who were consulted or who had made submissions. CRA’s initiative in developing and revising the Guidance is clearly a positive development. However, charities should also be aware that many of the concerns about the Proposed Policy that were raised during the public consultation phase continue to be found, to varying degrees, within the Guidance.¹³ Some of those areas of concern are summarised below:

- Presumably the simplified wording and phraseology of the Guidance, as well as the reduced length, should mean that the Guidance would be easier to read and would reflect concepts that would be somewhat easier to grasp. However, the Guidance and Additional Information are still 32 printed pages in total combined length, and because the substantive concepts remain largely unchanged from the Proposed Policy, the same concerns about the complexity in understanding the Guidance and the challenges in compliance continue to exist. As such the Guidance may prove difficult for charities to understand and implement.

¹³ For some of the concerns that were raised about the Proposed Policy, see Theresa L.M. Man & Terrance S. Carter, “Be Careful What You Ask For: CRA Proposed Policy on Fundraising”, *Charity Law Bulletin* 142 (5 August 2008, revised 15 September 2008), *supra* note 7 at pp. 10-14.

- The more flexible and open-ended approach to evaluating fundraising activity is clearly more attractive than a rigid quantitative methodology. This is particularly true with respect to the revisions to the categorization of the fundraising ratios from that of the five tier grid in the Proposed Policy. However, many of the factors and criteria continue to be open to subjective interpretation. As such, there will likely be variations and inconsistencies in the interpretation of the Guidance by charities and their professional advisors, as well as by CRA auditors when a charity is subject to an audit by the Charities Directorate.
- Although the “best practices” and “areas of concern” are not necessarily requirements that have to be followed by a charity, the enumeration of these factors in the Guidance imply that charities are generally expected to adopt the best practices and avoid the areas of concern articulated by CRA in order to increase their chances of complying with the Guidance. However, some of those factors may prove to be quite challenging for charities to comply with and as such could have consequences that the charitable sector may not yet fully understand. Specifically, the Guidance emphasizes the importance of public disclosure and transparency regarding the cost of fundraising activities. While there is no disagreement that transparency in and disclosure of fundraising costs is important, the extent of the expectation placed on charities by the Guidance may result in some charities having difficulty in attracting donors when it is necessary for the charity to disclose the estimated fundraising costs and revenues of its annual budget when asking for a donation from a prospective donor. As well, the Guidance is not clear whether there is an expectation that charities will also need to disclose fundraising ratios for each fundraising campaign in addition to doing so for the fiscal year, or whether it is only necessary to do so on a fiscal year basis, since the Additional Information states that after a campaign is completed, a charity may want to disclose the fundraising costs and revenue for “specific types of fundraising campaigns within a fiscal period.” CRA may need to provide some clarity on this issue in future revisions of the Guidance.
- Although the Guidance states that CRA will consider the reasons why a charity incurs a higher fundraising cost in a particular year, the starting point of the evaluation still seems to be based on an examination of each fundraising event in the context of the charity’s current fiscal year, as opposed to doing so on a rolling average basis. In this regard, some charities may need to focus on conducting fundraising campaigns in the early part of their fiscal year so that there will be sufficient time remaining in that fiscal year to ensure there is a sufficient level of fundraising revenue received by the end of that year in order to offset the cost of the respective fundraising campaign. Given the time delay that often occurs in a fundraising campaign from the time of solicitation to when donations are received, it would have been

better if CRA had used a rolling average (e.g. over several years) as the basis for evaluation instead of doing so on the basis of only the then current fiscal year.

D. CONCLUDING COMMENTS

While the Guidance is no doubt a significant improvement over the earlier Proposed Policy, it will likely prove to be a challenging document for charities to work with, and as a result it may take the charitable sector some time to fully comprehend its implications. Given that the Guidance is not intended to constitute a new policy but rather only a clarification of CRA's position on fundraising, the Guidance will not only apply to audits in future years but also to audits of past years. As such, it is important that all registered charities which depend on fundraising, together with their staff and board members, become familiar with the content of the Guidance. The ability of a charity to retain its charitable status in the future may very well depend on whether it can show that it has made reasonable efforts in meeting the requirements of the Guidance.