

Accessing Funding from Canadian Donors

Host: Ted Hart

Guest: Katherine Tanham | CAF Canada

Announcer: Welcome to the CAF Canada Radio Network, a production of the Charities Aid foundation of Canada. As a leader in global giving, CAF Canada is a registered Canadian charity, and is incorporated under the Canadian not-for-profit Corporations Act. CAF Canada works with corporations, foundations and individuals to support charitable projects around the world. Through its industry leading due diligence and philanthropic advisory services, CAF Canada helps Canadians give to projects that support important charitable efforts. Guests on the CAF Canada radio network are leaders in their field who share important insights and inspiring stories.

Our host is Ted Hart, president of the Charities AID Foundation of Canada. This is a live call in show. Add your voice by calling 646-668-8574. After the show, you can find all of our podcasts that cafcanada.ca, or find us on iTunes.

Now, welcome the host of the CAF Canada Radio Network, Ted Hart.

Ted Hart: Welcome to this latest edition of the CAF Canada Radio Network, thank you so much for joining us today. We do have a very important topic, and that is because Canadians are some of the most generous people on the planet, and many Canadians are inclined to support charitable work across the globe. Yet for nonprofit organizations outside of Canada, accessing funds from Canadian donors can be a challenge. That's why today here on the CAF Canada Radio Network, we are taking up this important topic of accessing funds from Canadian donors.

Before we get started, I think it might be important to get a bit of background on CAF Canada itself, for those who might be unfamiliar with our organization.

As the announcer mentioned, we are a registered Canadian charity. We are a subsidiary of CAF America, the leader in cross border giving, and as a US nonprofit 501C3 organization. CAF Canada works to expand the culture of giving by making it easy, reliable and effective for Canadians to give both internationally and domestically. Since 2013, CAF Canada has facilitated over 9 million Canadian dollars to 105 beneficiaries in 17 countries through charitable projects on behalf of Canadian donors. For many nonprofits around the world, the Canadian legal system can seem complex, and receiving funds from Canadian donors can be complicated and time consuming.

CAF Canada is a leading expert on this process, and this conversation will provide you with a clear roadmap of how to begin or strengthen your collaboration with donors from Canada to your charity anywhere in the world. Like CAF America, CAF Canada operates with what we call the three Rs of international giving. Keeping that in mind, those are regulatory

compliance, risk management and reputation protection. The three R's ensure that our giving adheres to strict best practices, and abides by all local, national and international laws and norms, while putting both the donor and the charity partners of CAF Canada at the center of our work.

If you're a listener who represents a charity who is already eligible with CAF America, you are already familiar with the three R's, but you might not know that you are also eligible to receive funding from CAF Canada. This will greatly lessen the amount of work that you need to do to receive funding from Canadian donors. However, there are still some important things you will need to understand.

To help me explain all of this information is Katherine Tanham. She's joining us as the program manager of CAF Canada, having started her career with CAF America in 1998, Katherine brings years of knowledge and expertise to the CAF Canada team, specifically focused on providing due diligence and project review support. Catherine, welcome here to the CAF Canada Radio Network.

Katherine Tanham: Thank you so much. It's wonderful, thank you.

Ted: It's great to have you here. We mentioned that for those charities who may be listening who already have eligibility with CAF America, that streamlines the process for receiving funds via CAF Canada from tax receipted donors in Canada, but we also work with charities that are not eligible with CAF America who may have Canadian donors and wish to receive funding from Canada.

To start things off, let's just answer this question straight out. Why would a nonprofit wish to become eligible to receive funding from CAF Canada, and what does that entail?

Katherine: Thank you. Yes, so not for profits often engage with CAF Canada for three reasons. The first is that donor may have asked the organization to reach out to us and become eligible so that they can receive a tax effective donation from that donor. The second is when we, CAF Canada, reach out to not for profit, because the donor has indicated interest in supporting the organization and we need to conduct that initial due diligence on the nonprofit. The third is when the nonprofit has heard about us and seeks to become eligible so it can connect with potential Canadian donors. The process of becoming eligible to receive funding through CAF Canada, which is similar-

Ted: Katherine, if I can just jump in for a second, I'm just going to jump in for a second, we may have had a little bit of a glitch with your voice when we start off. I'm just going to review that for every. Nonprofits engage with CAF Canada, as you were saying, for three reasons. The first thing that a donor told them to reach out to us because to become eligible, so they can receive a tax effective donation. In other words, the donor already knew about CAF Canada, and so the charity is learning about it, about CAF Canada from

their donor. The second is when we reach out to a nonprofit because the donor has contacted us at CAF Canada and is interested in supporting a specific organization and we need to conduct the due diligence on that nonprofit.

Then I think we could hear you pretty clearly on the third, is when a nonprofit has heard about us and seeks to become eligible because they wish to connect with potential Canadian donors or they already have Canadian donors but are not yet able to offer tax receipted giving. I'm sorry to interrupt, but let's now talk about the process of becoming eligible regardless of how you're coming to us, whether you have a donor or you're reaching out to us, how does a charity become eligible with CAF Canada?

Katherine: Sure. Thank you. The process is very similar to the process at CAF America, for those of you who are familiar with us in the US. It essentially means that we validate your organization, we check to make sure that the organization is registered legally, appropriately, that you have proper governing documents and procedures in place, that your board members and senior staff are not sanctioned or under investigation, and that your financial status is healthy. This is a shortlist of a sometimes more involved process but essentially serves as a basis for us to legally support your organization while also creating good level of trust. There are a number of-

Ted: Can I just ask you, in that list that you've just provided to us, what are some of the sticking points that you often run across that the charities might want to hear a little bit more about?

Katherine: Well, sometimes we look at an organization's financial documents and they may or may not have audited, fully audited documents. It could be that the organization is new, it could be that their financial, their income level is below its threshold that will require an audit, a full audit. We like to delve into that, we are curious to know how an organization has established itself and if it has a full board, if it has a very small board, if it has a large board. We like to review the governing documents to make sure that how the organization is actually operating is reflected in the outline presented in the organizing documents.

We like to see that the organization is current, that its registration is current, and that even things like its addresses are current that we can find that organization literally on the map and understand what their work is from an outside view, rather than just reading their information to.

Ted: Katherine, it sounds like if there's anybody listening to this podcast who doesn't really understand all the concepts that you just laid out, they don't really need to worry because they can contact us at CAF Canada and we'll help explain these concepts until they're able to understand them. Because we understand that different charities around the world operate in different cultures and different legal systems. Oftentimes, the words that we use

may not have the same meaning in other cultures, but we're going to work with those charities to help them understand what's required.

Katherine: Absolutely. Whether that's email or telephone calls, we are happy to talk through the whole process with organizations. We like to see what information they're able to send to us, and then we can review that and find out work with them. Is there more information that would be helpful? Do they maybe have information they haven't submitted yet? We try to work with them as much as possible to build our file here.

Ted: Outstanding. What would be the benefit to non-profit for becoming eligible?

Katherine: Well, passing the vetting process and becoming eligible means that the organization can legally receive tax effective gifts from Canadian donors. It broadens their fundraising base, and it also is a tool for reputational enhancement. There's some really good news, once an organization is eligible, they can add the vetted by CAF Canada seal to their website, which also shows donors or potential donors that the organization has passed this test with CAF Canada.

Ted: Now, we mentioned earlier that if a charity is already eligible with CAF America, they're able to streamline the process with CAF Canada. How does that work? What does that really mean? Can you give that to us in a plain language?

Katherine: Sure. If the organization has undergone the eligibility review at CAF America by virtue of successfully passing through that review, the organization is initially eligible also with CAF Canada. No need for double work, we have the information on file, and that is definitely a time saver.

Ted: Well, let's dig into these specifics a little bit more about how CAF Canada does its work. What should non-profits outside of Canada know about Canadian rules and regulations governing charitable giving to organizations outside of Canada? Charities outside of Canada may be familiar with CRA, which is a Canadian Revenue Agency, or the IRS, the Internal Revenue Service in the US grants versus projects. Is just a lot of nomenclature here. Can you walk us through the specifics of how this works?

Katherine: Sure. Absolutely. Exactly what you said. The Canada Revenue Agency, or we refer to them as the CRA, is equivalent of the IRS in the United States. It's the primary regulator of the charitable sector in Canada. When we think about charitable giving from Canadians to nonprofits outside of the country, CRA plays a really crucial role in determining how this process works and what is allowable under the Canadian law.

The key thing to know about charitable giving within the Canadian context is that it is all project-based. Every Canadian charity, such as CAF Canada, goes through a process of application to get CRA approval for its charitable objects. These are essentially the charitable areas of work that the organization can undertake. The CRA requires that the

organization's charitable purposes are specific such as relieving poverty by operating a food bank for the poor instead of relieving poverty through terrible means.

With the CRA, specific is the best way to go. Very specific is always better. Any project that's undertaken by a Canadian charity must fall under one of those approved charitable purposes. Based on the-

Ted: What are the charitable objects of CAF Canada? I'm starting to get a sense of what those mean. Can you share with me what they are and then how they work?

Katherine: We have a number of charitable objects that CAF Canada has been approved for. Medical relief, health promotion, health relief, relief of poverty, and advancing health care in developing countries, advancing education of students by providing books and other materials, promoting the welfare of animals for the benefit of the public, promoting public health-

Ted: Catherine, I'm going to jump in right. We're losing your sound just a little bit, seems to be breaking up. I'm going to hope it comes back in just a second. What you're talking about is the actual objects of CAF Canada that has been approved by CRA. For our listeners, there is a full list of eligible cafcanada.ca under the how we work page. I'm going to give this another try. We're hoping that the sound is back here. While these objects are specific and keeping the requirements of CRA, how do you actually work that with any specific charity?

Katherine: Right. The project agreements are the legal underpinning of our support for organizations outside of Canada. Any project that we undertake must fit within one of these charitable purposes, like you mentioned healthcare, environmental, relief of poverty, whatever that might be. We have extensive experience and can provide insight into the scope of each object and help the organization align with the donors' philanthropic goals as well to find and identify the most appropriate project, the object within that project. For instance, if you're a hospital, we may be able to support your work through more than one charitable purpose.

The point is that, while our purposes are specific, and the projects that CAF Canada undertakes are also specific. This should not deter organizations from reaching out to us and telling us about the work in the possible project ideas you have in mind or our Canadian donor with whom you're in touch has in mind. The chances are we'll be able to create a project that meets the charity's requirements and CAF Canada's own high standards. It's important-

Ted: This is something that is unique and required under Canadian regulations. For charities who are eligible with CAF America, they're not going to be familiar with the same requirement for a project agreement. Can you give us a sense of if I'm eligible with CAF

America, what am I used to? Then help me understand what this new set of regulations are going to require?

Katherine: We work with each organization to set up an approved project, and approved project work in line with the charitable objects that we've just mentioned that are on the website. The project agreement, we usually start working on that once the initial eligibility has been satisfied. The project agreement is based on 11 questions that will help us understand the scope of the proposed project work, and who ultimately will benefit from that work.

It's very important to help us track the project during its life and to understand who will ultimately benefit both within the organization and beyond, especially from the funding that CAF Canada is providing. Part of you-- I'm sorry.

Ted: I'm just going to say we're going to take a very quick break, and when we come back, it's my understanding that a charity in the US could receive general support, a charity outside of the US receiving money from the US can receive general support, but a charity outside of Canada receiving funding from Canada cannot receive general support. Now, I want to understand that a little bit better, and we will be right back.

Announcer: Remember, our podcast archives are always available 24 hours a day, seven days a week at cafcanada.ca. If you're listening today, our phone lines are open. Call in and ask a question by dialing 646-668-8574. Now, back to the CAF Canada Radio Network, and our host, Ted Heart.

Ted: We're back here live with Katherine Tanham, program officer at CAF Canada. Katherine, before we took the quick break, I just set up this issue of general support, which again, we've already shared with charities who are eligible with CAF America, are also eligible with CAF Canada, but there is a big difference that you've outlined in this project agreement. Why can a charity outside of Canada not receive general operating support from donors in Canada?

Katherine: CAF Canada projects cannot provide general support for pre-existing projects of the not-for-profit. Our projects they can be part of a much larger initiative, but they must support a defined element of the overall effort. We work really closely with the organizations we support to develop projects in a way that meets the IRS requirements, our own legal responsibilities, the interests of the Canadian donor, and the organization that will be implementing the project. We work very hard to come up with a project agreement that satisfies all of that criteria and is, as we mentioned, absolutely defined and distinct.

Ted: That's the important aspect here. Could I just give to an overall operating project and let the charity who maybe I know the charity, maybe I traveled there, maybe I've gotten to

know them, maybe I trust them and I can say I want to just give them the money to do great work on their mission. Is that allowed from a Canadian donor?

Katherine: Well, we would love to accept your gift, but we would want to put it towards something that's very defined at the charities. It may be that they have a larger scope of work going on and we can identify a specific piece of that work that your funding could go towards, your gift could go towards, or it may be that depending on the work that they're doing or the level of funding, they might have a very specific project, and that your funding could go exactly to that smaller piece of work. It would just depend, but it has to be very well-defined, and ideally your gift would not go into a larger pool of giving for onward work.

Ted: And the standard that CRA has set for that CAF Canada is required to make sure that the regulations are followed, is this concept of discretion and control that the CRA in Canada requires that CAF Canada have a relationship with that charity that provides strong discretion and control over the use of those funds. It's my understanding that the project agreements that are put together are built with the answering of 11 questions, and that becomes a guidepost to help the charity meet the standard. Can you tell me a little bit more about that and how this might streamline what can be seen as a complicated process in Canada?

Katherine: Well, ideally, the questions are very straightforward for the organization to answer once we work with them and help guide them. We'd like to understand exactly what their project work is, who that project work will benefit or what the benefits will be. We also build in a level of reporting so that we are aware exactly how the project is unfolding, and whether the organization is meeting the goals that it initially intends to meet. We ask for a budget, we ask for factors to determine the success of the project, and exactly what you said, Ted, there are 11 questions but ideally, they're not burdensome for the organization. As they work to define the project with us, we find that most of the information is absolutely there and easy to write up into the project agreement.

Ted: It's discretion in control over a very specific project, meaning essentially that the CAF Canada staff is going to work with, as you said, both the donor and the charity to create a project that has a start date and an end date, has a budget, has a specific purpose, and in doing that, we are able to meet the regulatory compliance and provide the funding to the charity to do the work that the donor have in mind.

Katherine: Absolutely. Sometimes we find that the donor and the charity are in close contact, and the project ideas are already formulating. Sometimes the incoming funding may be a pleasant surprise for the recipient organization, and they have to put their heads together internally and work through the best opportunities for the funding. We also add in a level of reporting, and we asked the organizations to send regular information back to us so that we're able to track the progress of the project, and we know exactly how the activities are coming together and how the funding is being utilized.

Ted: Obviously, when there's a new concept or something that you're not familiar with, it can seem to be a bit of a challenge, what are some of the common challenges that our partners, our charity partners are faced with the project agreement process, which, again, is not an invention of CAF Canada, but is a requirement of CRA through the regulations that they set for?

Katherine: Well, we have a really recent example that I think speaks well to this. An organization came to us and told us they'd like to support their work on conservation and general environmental welfare. At first glance, is fit our approved charitable purpose for the environment which reads to protect the environment for the benefit of the public by reducing pollution, conserving, restoring ecosystems and biodiversity and saving, supporting, protecting or assisting stressed or endangered forms of life.

It seemed like the perfect match, but once we started talking to the organization, and really understanding the specific details of the project, and what that work would entail, it became clear to us that the project was actually intended to enhance the organization's online library which provides educational resources on the environment to people across the planet.

While the organization's overall mission was initially directing us towards the charitable purpose having to do with environment, it became clear that the specific focus of the project align best with another charitable purpose, namely, to advance the education of soon as by providing books, equipment, and educational aids, and by establishing and operating schools and libraries.

This example really serves to demonstrate how even though an organization might, in this case, being environmental nonprofit, and all of the work goes to support the end goal of conservation, the specific projects actually fell into a different charitable purpose all together. This, it really serves to illustrate that in keeping with series rules and specificity, that projects really need to be well defined and very specific.

Ted: That's really the challenge here, isn't it? You come to CAF Canada with an idea of what you would like the donors to support, and our team can help guide you towards a successful project agreement that is going to meet all the criteria, which you might not be familiar with but yet are embedded in the work that your organization does, the mission that your organization has. While we're sharing a lot of concepts here, and they are extremely important, and for regulatory compliance in Canada, we will meet all of those.

We're not expecting any of the charities that we work with to be experts in the regulations, we'll help them meet the regulatory requirements with the data and information that they provide to us, is that right?

Katherine: Absolutely. We try to work very closely with all the nonprofits, all the organizations to ensure that we're communicating effectively about and understanding what their project work is. They're able to communicate back to us exactly what their intentions are, and that we're really working with them. It's a collaborative process to write up these project agreements. Sometimes they come together very quickly. Sometimes it takes a little bit longer as the organization puts together its ideas, but we really want to be there every step of the way.

Ted: One way that charities that are listening today could speed up the process is to, before they contact us, think about a specific project, something that is well defined that a donor could support, and then we'll help them with all the details, the wording of the agreement and meeting the regulatory requirements, they can speed up the process by coming to us with something fairly well defined.

Katherine: Absolutely. Most organizations have really wonderful ideas about how they would like to spend incoming gifts or they're in touch with donors who have really wonderful ideas, and so yes, absolutely, if they can, putting those ideas together on their end, and then we can move forward together.

Ted: Now, Katherine, and I know a lot of folks are going to wonder, will CAF Canada, do the fundraising for them? If they they come to CAF Canada will we just send donors their way? Is that something that can happen?

Katherine: We can help organizations during some of their fund development work. We can help personalize things such as gift forms. We can help them identify ways to connect with donors, whether it's online giving, we can provide them a link to our site for credit card giving, and we can provide other resources like that, that will help them connect with donors during events or donors are in touch with, those types of things.

Ted: It's incumbent upon the charity to do the fundraising and the charity to reach out to donors. I gather from what you're saying is we have tools that we can provide that can help them but what we don't have and we are not involved with is the solicitation of the donor.

Katherine: Absolutely, that's very true.

Ted: One other area that many charities are interested in, and I happen to be aware that there are other complexities in the regulations in Canada is, can I fund capital assets or assets that would remain on the nonprofit's books for a period of time? Is this something that Canadian regulations makes possible and what about capital assets makes it a bit more complicated?

Katherine: Well, we do have this question quite frequently as many not-for-profit, seek funding to purchase or maintain capital assets. That might be things such as working to construct a new building, buying computers, technology, endowments, furniture, other

equipment or assets that will be used to make money for the organization. Such things that would not necessarily be considered capital assets, are salaries, school supplies, clothing, medicines.

Funding capital assets can be a challenge because we're required to collect and the organization is also required them to submit reports through the useful lifetime of the asset. That can be burdensome for some organizations as those organizations stage be very clear and diligent about using the asset only for charitable purposes during that lifetime, but they also have to consistently report to us usually annually for about the use of that equipment. Over the course of a number of years an organization can change its structure, can change it staff and that reporting can sometimes become more of a burden than initially it was.

Ted: Yet reporting is required. To help someone understand this is, if you have a donor who wants to support a charity and that particular charity needs a new classroom or something of that sort and the donor says, "Yes, I want to give the money to build that building, to build that new educational facility."

The charity itself will be entering into the same kind of project agreement that they would for more non-capital assets such as, salaries and school, supplies and clothing and medicine, things like that, that you've already mentioned but there would be this added requirement that first of all, they have to provide documentation to CAF Canada that the asset will be used for charitable purpose for the life of that asset, but they also have to contractually obligate themselves to regular reporting on those charitable uses of that project.

That it must remain in the ownership of the charity that was funded. All of those stipulations can become, as you said, burdensome to the charity because it's hard to know what's going to happen in 10 years or 20 years. However, CRA regulations requires that we approach capital assets in that manner. With that in mind, I think we would want to at least engage in a discussion about perhaps non-capital assets that could be supported by the donor that would bring with them and arguably less onerous reporting regime. Did I get most of that right?

Katherine: You sure did. Yes, it may be that the same level of funding within the organization's overall budget, that level of funding, instead of being allocated towards something that would be deemed a capital asset. Could be put towards another line items such as salary for a doctor or the purchase of medication. Really, we would want to understand the overall work of that organization, and then how else that organization might decide that the funding could be utilized.

Ted: Katherine, this has really been a terrific overview, and I know you do this every day, and you're in touch with a lot of donors who are doing incredible work around the world

on behalf of Canada and a lot of charities around the world who are interacting with us and are able to attract funding from Canadian donors. Can you summarize this discussion for us today and send our listeners away with services succinct approach to how they can actively work with a CAF Canada staff to be able to succeed in accessing funding from Canadian donors?

Catherine: Well, absolutely, I have to say that we're so excited about each of the projects that we already have in place. We're really also excited about engaging with new opportunities, whether the donors bring them to us or the charities bring them to us. We are so excited about the opportunity that are still out there and I would caution organizations not to be put off by CRA or regulations and we are here to help organizations understand the overall project development phase, everything that needs to go into a project agreement, we're here to support an organization throughout that process.

We can help define the project goals, we can help with the charitable objects, we're here every step of the way. I would urge organizations not to look at the regulations or not to look at the list of charitable objects and be overwhelmed. Our website is a wonderful tool, and we're just a phone call or an email away as well.

Ted: Terrific. As Katherine mentioned, you can go to our website, cafcanada.ca, certainly email us at info@cafcanada.ca. All of us here at CAF Canada are here to work with charities and work with donors to bring them together in a tax receded regulatory compliance regime. Katherine, thank you so much for being my guest here on the CAF Canada Radio Network.

Catherine: Such a pleasure, thank you so much.

Advertisement: You've been listening to the CAF Canada Radio Network, a production of the Charities Aid Foundation of Canada. Tell all your friends and colleagues, our iTunes friendly podcasts are always available 24 hours a day at www.cafcanada.ca. Thanks for listening to the CAF Canada Radio Network.