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# Guide to Building EQUITABLE CHARITABLE RELATIONSHIPS

KAILEY TAM AND SPENCER LEE

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# Contents


About 1
Land acknowledgement
Authors
Other contributors
Design

Preface 5
What is this guide?
To guide your reading
On using the word "partnership"

INTRODUCTION: CONTEXT OF THE CANADIAN CHARITABLE SECTOR 9

Defining Charitable 11
What is a charity?
What is a non-charity?
What makes someone a charity vs. a non-charity? What does that mean for each organization?
What makes charitable status so powerful? How does that affect a charity/non-charity relationship?

The Budget Implementation Act 23

Being Real About Money: Pros and Cons of Entering a Partnership 25
Partnering with a granting vs. operating charity
Partnering with a non-charity

Types of Charity/Non-Charity Relationships 29

Grant vs. Intermediary Agreements 33

Review 37

FOR NON-CHARITY PARTNERS 41

1 Vision 43

2 Gather 47
What do you have to offer?
What are you missing?

3 Evaluate 51
What opportunities for partnership are out there for you?
What grants are open for application right now/soon?
Does your organization have an eligibility policy?
Does their organization have an eligibility policy?

4 Contract 57
Tips and tricks

Affirm 63

FOR CHARITY PARTNERS 65

1 Vision 67
What type of charity/non-charity partnership are you offering?

2 Outreach 71
Making non-qualified donee grants accessible
How are you putting the word out there?
What kind of non-charities are you willing to work with?
What is most accessible for a non-charity and most feasible for you?
Activity: Accessibility vs. feasibility chart

3 Selection 77

4 Contract 79

5 Support 83

Appendix A: Writing Your Grant Application 87

Appendix B: Figures 91
Fig. 1 Granting vs. operating charities
Fig. 2 An overview of the charitable sector
Fig. 3 Types of charity/non-charity relationships
Fig. 4 Grant vs. intermediary agreement

Glossary 95

References 100

# About

## Land acknowledgement

This work is conducted on ancestral, traditional, unceded and occupied Indigenous territories, including the xʷməθkʷəy̓əm (Musqueam), səlilwətaɬ (Tsleil-Waututh), qiqéyt (Qayqayt), q’ʷa:n’ƛ’ən’ (Kwantlen), kʷikʷəƛ̓əm (Kwikwetlem), sc’əwaθən (Tsawwassen), q’ic’əy’ (Katzie), and Sḵwx̱wú7mesh sníchim speaking Sḵwx̱wú7mesh (Squamish) Nations.

Please check out One Day’s Pay and their work to direct money towards Indigenous-led projects and groups that do not have registered charitable status, particularly on National Day for Truth and Reconciliation. Furthermore, visit The Circle on Philanthropy to learn more about their work and the ways they “encourage individuals and organizations to learn, acknowledge, and understand more about reconciliation and the decolonization of wealth.”

*One Day’s Pay*

*The Circle on Philanthropy*

As we discuss the charitable sector in Canada, a settler-colonial state, it is vital to remember and to hold in tension that the Canadian charitable sector exists due to settler colonialism. Indigenous forms of giving and receiving have existed since time immemorial and continue to exist today. The charitable sector in Canada is inseparable from its white, colonial, and Christian ideological roots, as settler wealth is built off extraction, displacement, and dispossession. The disparities in resource-sharing (especially in the charitable and philanthropic sectors) disproportionately affect racialized peoples, especially Indigenous and Black communities. Recognizing this, we're mindful and critical in the ways we exist and operate within a colonial sector and are committed to working towards centering racial equity and amplifying the work of Indigenous, Black, and racialized communities in this space.

**Charitable sector:** *The charitable sector is a portion of the economy that is dedicated towards social wealth, and whose primary motive is to benefit the larger society without motivations for profit. We use this term broadly to also refer to formal and informal organizations, groups, and individuals that work in and around this space.*

**Settler colonialism:** *Settler colonialism describes a particular form of colonialism, where the ongoing practices and systemic structures attempt to claim settler sovereignty and settlement of non-Indigenous peoples on Indigenous lands by disappearing and dispossessing Indigenous peoples and privileging some settlers while excluding others.*



## Authors

### Kailey Tam 譚慧儀

Kailey Tam (they/them) is a Cantonese settler born and raised primarily on the unceded and ancestral territories of the Musqueam, Squamish, and Tsleil-Waututh Nations. They hold a Bachelor of Arts in Honours English Literature and Language with a minor in Asian Canadian and Asian Migration Studies. With an interest in policy and legal reform, Kailey hopes to create and contribute to accessible and equitable spaces, where relationships and lived experiences are centred, respected, and celebrated.

### Spencer Lee 李丹彤

Spencer (they/them) is an able-bodied, queer, non-binary first-generation Chinese settler on the unceded territories of the Skwxwú7mesh (Squamish), səl̓ílwətaʔ/selilwitulh (Tsleil-Waututh), Stó:lō, and xʷməθkwəy'əm (Musqueam) Nations. They recently graduated with a Masters in Gender, Sexuality & Women's Studies from Simon Fraser University. Spencer is passionate about community building and youth empowerment among queer and racialized youth, with an emphasis on rest and collective care. Their research interests include access to reproductive healthcare, comprehensive sex education, and queer/gendered violence and resistance in East Asia.

**Other contributors**

Thank you to the Roundtable Educational Society board members, especially Miley Leong and Joey Cheung, for your review of the content. Thank you to Kevin Huang for your feedback, wisdom, and contributions to the making of this guide. Thank you to Daphne Tse for your keen eye for details. And finally, thank you to the Law Foundation, whose generosity allows this project to be possible.

**Design by**

Fiona H. Lee



# Preface

## What is this guide?

This guide was written to reimagine what relationships could look like between a charity and a non-charity. This reimagination might not be reflective of current Canada Revenue Agency (CRA) guidelines but we hope this guide can be aspirational and help expand the ways the current sector thinks about the charity and non-charity relationship.

We wrote this guide intending it to be a list of questions and tips as you navigate through a charity/non-charity relationship, setting any such relationship in the Canadian charitable sector. We don't presume to be able to solve the issues of the charitable sector, but hopefully offer some guiding principles so both parties can accomplish what they do best. It is also meant to be a workbook of sorts, replete with space for personal reflection, a glossary, and review games. Feel free to draw and doodle in the margins and to use this guide in a way that serves you best.

Finally, this is a guide created by summarizing our research; it should not be used to replace charitable legal advice. If you are seeking legal advice in BC, browse the Access Pro Bono website, which connects individuals and non-profits to lawyers and pro bono programs for free!

*Access Pro Bono*

## To guide your reading

The introductory chapter ("Introduction: Context of the Canadian Charitable Sector") offers you a brief overview of the state of the charitable sector in Canada, with particular attention paid to the guidelines set out by the CRA. There is information relating to the new guidance surrounding granting relationships with non-qualified donees; be aware that these guidelines may change in the future.

The next chapters ("For Non-Charity Partners" and "For Charity Partners") are directed towards non-charities and charities respectively. Although these sections were written with CRA guidelines in mind, they first and foremost reflect RES's aspirations for what charity and non-charity relationships could look like.

This guide is primarily directed towards newer non-profit and grassroots organizations hoping to secure funding and resources ("For Non-charity Partners") and for the charities that are hoping to establish new, supportive, and equitable relationships with such organizations ("For Charity Partners"). Not only that, but we hope that this guide allows both charities and non-charities to get a better glimpse of the other side of the charitable sector, and through establishing that understanding, create a charitable sector that is more equitable, accessible, and collaborative. Therefore, although we have sections that are titled "For Non-Charity Partners" and "For Charity Partners" and directed to those groups, we encourage you to read both chapters, wherever you land in the charitable sector.



"We hope that this guide allows both charities and non-charities to get a better glimpse of the other side of the charitable sector, and through establishing that understanding, create a charitable sector that is more equitable, accessible, and collaborative."

Furthermore, this guide is also for people entering their first foray into the charitable sector, people that are learning about the barriers of bureaucracy and inequity involved in charity and non-charity work. The charitable sector has very particular terms that may be foreign to you. For your convenience, you will be able to find the term and its definition both in text and in a glossary at the end of the guide.

### On using the word “partnership”

It’s important to know that although we discuss the CRA’s requirements (particularly in the “Introduction” chapter), the opinions reflected here do not strictly align with the CRA. In official documents, especially documents submitted to the CRA, be wary of using the language of “partnership.” This is language that the CRA is careful to avoid. The power balance between a charity and a non-charity as outlined in the CRA is not equal, and therefore, it would be inaccurate to use “partnership.” Instead of partnership, the CRA operates off the language of intermediaries, of grant and grantee. When the CRA refers to partnerships, they are speaking only of business partnerships between a charity and a business.

However, throughout this guide, we use the term “partnership” to signify the relationship between charities and non-charities. Partnership is a term that connotes equality, teamwork, and trust as two or more parties work together to achieve a common goal. This is the vision RES hopes to realize in the charitable sector.

# Introduction

# CONTEXT OF THE CANADIAN CHARITABLE SECTOR

# Defining Charitable

## What is a charity?

In Canada, a registered charity is an organization that has been granted charitable status by the Canada Revenue Agency (CRA) and operates exclusively for charitable purposes and activities.

A charity has registered charitable purposes that must relate to the four broad categories of charitable purposes as defined by the CRA:

**Charity (or registered charity):** *an organization that has been granted charitable status by the Canada Revenue Agency (CRA). A charity has registered charitable purposes that must relate to the four broad categories of charitable purposes as defined by the CRA: relief of poverty, advancement of education, advancement of religion, or other purposes beneficial to the community.*

**Charitable purpose:** *the CRA-required purposes of a charity's existence. These purposes must relate to at least one of the four CRA categories of charitable purposes (relief of poverty, advancement of education, advancement of religion, or other purposes beneficial to the community).*

1. **Relief of poverty:** defined as “bringing relief to those experiencing poverty. People experiencing poverty are those who lack basic necessities of life or simple amenities available to the general population.”
   - It is important to note that the CRA specifically prohibits charities from being established to *prevent* poverty. They can only be established to *relieve* poverty. In this sense, charities are established only to address symptoms of an issue, but never explicitly to address root causes.

2. **Advancement of education:** defined as “training that provides knowledge or develops abilities and that improves a useful branch of human knowledge through research.”

3. **Advancement of religion:** defined as “[preaching and advancing] the spiritual teachings of a religious faith, and to maintain the doctrines and spiritual observances on which those teachings are based.”
   - This requires an element of theistic worship, or the worship of a deity or deities in the spiritual sense.

4. **Other purposes beneficial to the community:** defined as “various purposes that do not fall within other categories, but the courts have recognized them as charitable.”



- Examples include:
  - relieving a condition or disability associated with old age, which includes providing facilities for the care and rehabilitation of the elderly
  - preventing and relieving sickness and disability, both physical and mental (e.g. hospitals)
  - providing certain public amenities to benefit the community (e.g. public recreation grounds)
  - providing counselling services for people in distress
  - operating an animal shelter
  - operating a volunteer fire department

For more on how to draft charitable purposes and comply with CRA guidelines, please refer to the CRA’s guidance here.

## What is a non-charity?

A non-charity in this document refers to any organization or group that does not meet the qualifications of being a registered charity, and therefore, is not eligible to receive charitable dollars on its own. When we refer to non-charities, we're specifically referring to groups that operate 1) for a purpose other than profit; 2) for social welfare or civic improvement; and 3) *that do not have charitable status*. Non-charities can include non-profit organizations, grassroots groups, or your local neighbourhood team that collects trash on Sundays.

Examples include: social, recreational, or hobby groups; certain festival organizations; certain amateur sports organizations.

**Non-charity:** *a non-charity in this document refers to groups that operate for a purpose other than profit, for social welfare or civic improvement, and that do not have charitable status.*

**Non-profit organization:** *a group that operates for a purpose other than profit. Purposes can include social welfare, civic improvement, pleasure, and recreation.*

**Grassroots group:** *a group or movement that uses collective action at a local level to enact social change; usually draws people from a given district or region or community as the basis of social movement.*



## What makes someone a charity vs. a non-charity? What does that mean for each organization?

In short, charitable status. Having charitable status means you're eligible to receive charitable dollars—money that is tax-receiptable. The CRA has a term for groups that can receive charitable dollars: qualified donees.

A qualified donee is an organization that can issue official donation receipts for gifts they receive from individuals and corporations. By donating money to a qualified donee, donors receive tax credits (meaning they get a deduction on the amount of money they owe to the government). Therefore, donors are incentivized to donate to qualified donees (e.g. registered charities), rather than a non-qualified donee. Here's a list of qualified donees according to the CRA:

- a registered charity (including a registered national arts service organization)
- a registered Canadian amateur athletic association
- a registered journalism organization
- a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged
- a registered Canadian municipality
- a registered municipal or public body performing a function of government in Canada

- a registered university outside Canada, the student body of which ordinarily includes students from Canada
- a registered charitable organization outside Canada to which Her Majesty in right of Canada has made a gift
- Her Majesty in right of Canada, a province, or a territory
- the United Nations and its agencies

**Qualified donee:** *an organization that can issue official donation receipts for gifts they receive from individuals and corporations. A non-qualified donee is an organization that cannot issue official donation receipts.*

Non-charities fall under non-qualified donee status, which means that they are not eligible for charitable donations.

## Did you know?

While younger donors became more prevalent, *charitable donations in 2020 continued to come mainly from older donors (65+).* Similarly to 2019, about $9 out of every $20 came from donors aged 65 and older. The older the age group, the more likely a tax filer was to report donations when filing taxes.

*(CanadaHelps, 2022)*



A lot of non-charities, like your local non-profit organization for example, might not have charitable status for the following reasons:

1. **Resources.** It takes a lot of money, time, and labour to apply for registered charity status, potentially including a consultation with a lawyer, multiple drafts and iterations of charitable purposes, and someone to be actively responsive to the CRA's decision.
   - Remember, applying isn't a guarantee that the CRA will approve your application. According to the CRA, in the 2017–2018 fiscal year, there were a total of 3,142 applications for registration and 215 applications for re-registration. Of that total number of 3,357 applications, 1,569 charities were registered and re-registered. That's about a 47% success rate. For such low odds, some groups may decide that it's not worth the risk of rejection or the time to apply.
2. **Additional bureaucracy.** Apart from the application process to the CRA, organizations may have to comply with provincial guidelines and bureaucratic processes as well. For organizations applying from BC, a charity application requires *governing documents* (namely, a certificate of incorporation, a constitution, bylaws, and a statement of directors and registered office). Governing documents are given to an organization after applying and registering their organization with BC Societies (or relevant provincial government). Furthermore, to maintain your registered charity, there are additional CRA requirements for bookkeeping, filing, and accounting, including the T3010 Charity Information Return that is required annually.

3 Autonomy. Groups may choose not to apply for charitable status to maintain their self-determination and autonomy, as opposed to limiting what they can do according to the rules of the CRA.

**"What does *incorporation* mean for a non-charity?"**

Glad you asked. An incorporated non-charity is a for-profit or non-profit organization that does not have *designated charitable status*, but it does have *legal status* through its registration as a society. If you're an incorporated non-charity, you still may not receive charitable dollars without charitable registration, but you're legally recognized by institutions and have the associated benefits that come with legal status.

More importantly, non-charities must keep the scale of their work and funds in mind. If non-charities begin soliciting donations and receiving grants, it is prudent to incorporate as an organization for accountability purposes.



## What makes charitable status so powerful? How does that affect a charity/non-charity relationship?

To understand why charitable status is so powerful, let's review what charities can do.

Charities can operate in two ways:

1. It can carry out its own charitable activities through its own staff and volunteers, or through an intermediary (which we'll get into later).
2. It can offer qualifying disbursements; essentially, it can give money away to groups as either
   a. Gifts to a qualified donee, or
   b. Grants to a grantee.

The CRA requires a charity to devote all of its resources to charitable activities carried on by the organization itself (this is called the own activities requirement). Therefore, when giving its resources to another organization, the charity must be able to prove that it has direction and control over the resources it transfers and that the non-charity is using the funds as intended.

**Own activities requirement:** *a CRA requirement for registered charities to devote all of their resources to charitable activities carried on by the organization itself. Resources include all physical and financial resources, as well as staff and volunteers.*

“It creates an environment lacking in trust and autonomy, where the power balance shifts heavily in favour of the charity funder.”

The charity must make decisions and set parameters on an ongoing basis regarding things like:

- Where/when/how the activity will be carried on,
- The overall goals of the activity, and
- Monitoring and reporting the activity.

You can probably begin to see how requirements of direction and control affect charity/non-charity relationships. It can create an environment lacking in trust and autonomy, where the power balance shifts heavily in favour of the charity funder. Activities of the non-charity must be overseen by the charity, lest the non-charity’s funding and the charity’s charitable status be threatened.



**EXAMPLE**

If Kailey was a charity and Spencer was another charity, Kailey can give $5 million dollars to Spencer without the CRA batting an eye. There is a caveat: a charity can disburse no more than 50% of its income by way of gifts to qualified donees. In this case, so long as Kailey’s charity has an income of $10 million or over, the example still stands.

However, if Spencer was a non-charity, there are multiple layers of safeguards in place, even if Kailey wanted to give Spencer a small grant of $1,000.

All of these safeguards fall under what the CRA calls direction and control. A charity must exert direction and control over the resources it transfers to a non-charity.

**Direction and control:** *a CRA term delineating the power the charity must exert and be able to prove over the resources it transfers to non-charities.*

This is one of the primary problems of how the charitable sector is structured in Canada. How can the organizations without charitable status, often underfunded (and often serving communities who are already underfunded such as IBPOC communities), get access to the resources they need when facing these barriers that compound and perpetuate social inequity?

# The Budget Implementation Act

**CURRENTLY, CHARITIES** are allowed to make qualifying disbursements to non-charities, so long as the the resources and related work are under the charity's direction and control. This is a relatively new update to the CRA guidance under the *Budget Implementation Act, 2022, no. 1* (BIA), which received Royal Assent on June 23, 2022. You can read the draft guidance[1] for registered charities making grants to non-qualified donees here.

*CRA guidance*

However, in the BIA's current form, agreements between charities and non-charities have a higher administrative burden, as they must be prefaced with lengthy due diligence and accountability requirements, and any resources provided to non-charities *must still satisfy the own activities requirement.* Although charities can now make qualifying disbursements to non-charities, the BIA formalizes the requirements of direction and control to the effect of making charity/non-charity relationships stricter and more rigid, and therefore, potentially making it more difficult for charities and non-charities to collaborate (Hayhoe & Hsia, 2022).

1 The CRA received feedback on the draft guidance until January 31, 2023. As they review the feedback, the final legislation may look different than what it is presently.

# Being Real About Money: Pros and Cons of Entering a Partnership

**LET'S BE HONEST HERE.** There are many challenges that non-charities face in accessing resources, especially funding. Non-charities often have a smaller staff team (if they have staff at all), and may not have the capacity for all the administrative obligations that the CRA demands of them. They may not have the funding or staff to carry out the projects they envisioned.

Working as a non-charity in the charitable sector is taxing work; it is honourable work. It deserves to be done not off the side of a desk, but as a priority with properly devoted resources. Charities, with their access to charitable funding, can alleviate many issues that non-charities can run into.

## Partnering with a Granting vs. Operating Charity

Most commonly, there are two ways that charities usually operate: by granting and by operating. Granting charities primarily disburse money to projects and groups that align with its charitable purposes. On the other hand, operating charities generally carry out the work themselves. Some charities may do both granting and operating. As a non-charity, it's important to keep this distinction in mind when considering the type of partnership a non-charity would like to pursue and establish. A granting charity typically does not offer operational resources beyond funding, whereas an operating charity may be more hands-on with tangible support. For ease of reference, we will refer to partnerships with granting charities as funding partnerships and partnerships with operating charities as operational partnerships.

Many funding charities have established practices of granting in place, but we hope to provide a guide or a list of considerations to make partnerships between charities and non-charities more equitable, sustainable, and responsive to the needs of the communities they intend to serve.

**Funding partnership:** *a partnership established between a non-charity and a granting charity. The relationship primarily and may solely involve the transferring of funds from the granting charity to the non-charity for the purpose of charitable objects.*

**Operational partnership:** *a partnership established between a non-charity and an operating charity. The partnership may involve the transferring of funds, but also includes tangible and intangible supports relating to the administrative, operational, and legal aspects of the project.*



We have provided a chart of tangible and intangible supports that granting and operating charities provide to non-charities (Fig. 1). Included is a list of supports that charities may not currently provide but may consider implementing to create more impact among communities and non-charities alike.

### Fig. 1 *Granting vs. Operating Charities*

| | Granting | Operating |
|---|---|---|
| **What they can bring to a charity partnership[1]** | • Access to charitable funding | • Access to charitable funding<br>• Existing work and related experience |
| **Areas where charity can create more impact** | • Provide operating grants or more flexible funds for the development of a non-charity<br>• Longer term agreements<br>• Trust-based relationships<br>• Network with other charities, non-charities, contractors, and volunteers | • Access to mentorship and expertise<br>• Advice and feedback on fundraising<br>• Take on more admin operational, and legal costs of partnership<br>• Network with other charities, non-charities, contractors, and volunteers<br>• Office or event space |

1 What charities can offer depends on the size and resources available to the charity. This chart provides a range of suggestions and does not definitively list what every and all charities can provide.

## Partnering with a Non-Charity

What can non-charities offer charities then? Non-profits (not even including non-registered grassroots groups or smaller entities) make up a significant part of the charitable sector. Don't underestimate the power of local networks and connections into the community and neighbourhood.

With their unique point of view and access into the local community, non-charities can offer charities:

- Enhanced capacity to fulfill charitable mandate
- New opportunity to practice community leadership
- New opportunity to provide mentorship, to share expertise and services
- Increased capacity to serve marginalized clients or to use emerging practices
- Additional learning and best practices through collaboration
- New opportunity to facilitate social innovation in the charitable sector
- Additional relationships and networks through the non-charity's networks

*(Better Together, 2015)*

By partnering together, the community benefits from:

- Access to innovative programming
- Enhanced service coordination through collaborations
- Opportunity for more people to participate in the charitable sector

*(Better Together, 2015)*



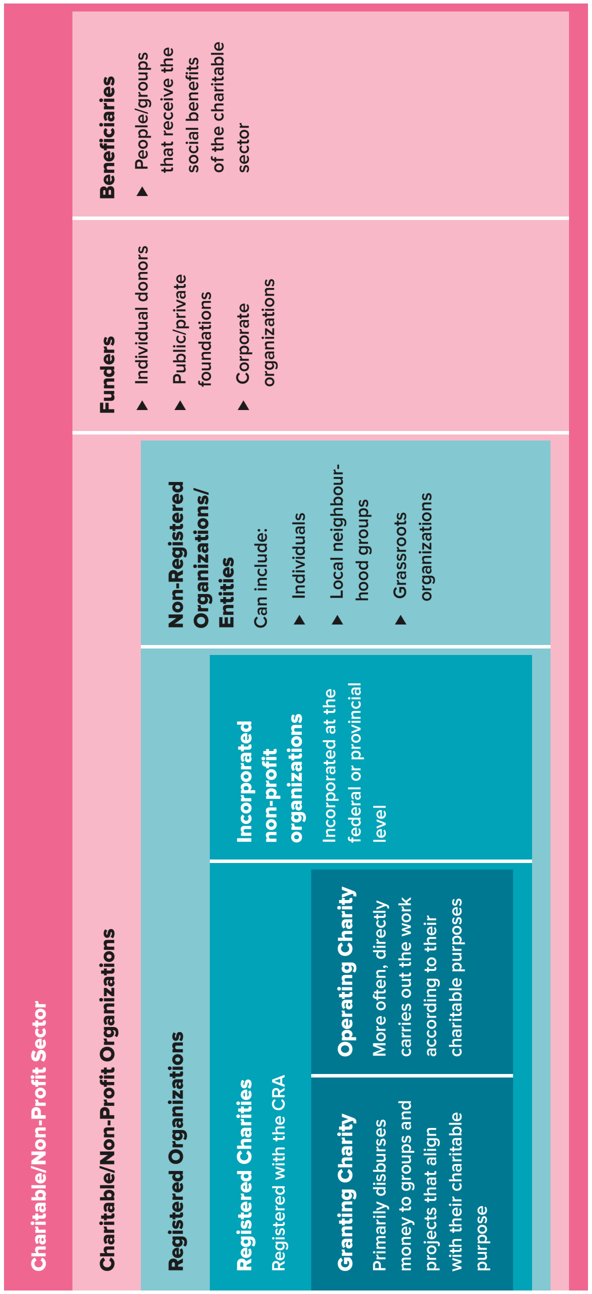
# Types of charity/ non-charity relationships

**BEFORE WE GET** into the types of partnerships, we have to first distinguish different types of non-charities.

1. Incorporated non-profit organization
   - Or, an incorporated non-charity
2. Individuals or groups without a legal entity
   - Grassroots groups or organizations without legal status would fall under this category.
3. Multiple distinct non-charities

**Incorporated non-charity:** *a for-profit or non-profit organization that does not have* designated charitable status, *but it does have* legal status *through its registration as a society*

Fig. 2 *An overview of the charitable sector*[1]




1 This is not an exhaustive chart, and is meant to be a brief visualizer of the charitable sector.

On the next page is a chart (Fig. 3) that outlines different types of charity and non-charity relationships taken from a handbook written and prepared by Katherine Main (Better Together: A Guide for Charity/Non-Charity Partnerships, 2015). We added the Grant/Grantee relationship, which is a recent addition to the CRA guidelines in 2022.

Recall that the provision regarding a qualified donee making a grant to a non-qualified donee is an amendment to the Income Tax Act, also known as the Budget Implementation Act, No. 1. Under the Budget Implementation Act (BIA), the CRA released a draft guidance for how charities can distribute resources to non-qualified donees. As of the publication of this guide, the CRA is reviewing the feedback received for the BIA.

For our guide, we'll be focusing on the intermediary (contractor) and grant/grantee agreements because those generally involve transfer of money from one party to another.

Establishing a grant vs an intermediary partnership is actually quite similar in terms of processes; the difference lies in that an intermediary's activities are a direct extension of the charity's activities, whereas a grantee technically has more freedom in types of activity carried out as long as it can be justified as being part of the charity's charitable purposes.

Fig. 3 *Types of charity/non-charity relationships*

| Type of Relationship | Define the Relationship | Funding |
|---|---|---|
| **Intermediary: Agent Relationship** | When the charity uses an agent to carry out activities on the charity's behalf. Charities often use agents when they need staff or resources to provide activities in an area that they cannot reach geographically. | The activities of the agent may be funded or supported by the charity. |
| **Intermediary: Consultant or Contractor** | When a charity hires an individual or organization as a contractor to provide specialized services that the charity does not have within its own organization. A charity usually exercises direction and control through an agreement with the consultant or contractor. | The consultant/contractor is paid by the charity for completing specific deliverables. |
| **Joint Venture Relationship** | When a charity and one/more joint venture participant(s) pool their resources to accomplish an agreed-upon goal under the terms of a joint venture agreement. This differs from consulting/contracting in that a charity doesn't rely solely on the joint venture participant to carry on the charity's activities. The structure of joint ventures varies from case to case. | Each partner contributes resources. Decisions about how resources are used are made jointly. |
| **Cooperative Venture Relationship** | When an organization works side-by-side with a charity to complete a charitable activity. The charity and the other organization(s) each take on responsibility for specific parts of the project. | Each partner provides the resources needed for their activities. There is no sharing of resources. |
| **Grant/ grantee** | When a charity disburses money to a grantee in furtherance of a charitable purpose of the charity. The charity must ensure that the disbursement is used exclusively in furtherance of the charitable purpose[s]. | The charity provides the funding to the grantee. |



# Grant vs. Intermediary Agreements

**AT FIRST GLANCE,** these agreements seem very similar. Both involve a charity providing funding to a non-charity to carry out a specific project. Both require an element of direction and control, replete with books and records to prove that the money was spent legitimately.

However, an intermediary agreement tends to be a charity giving a project for a contractor to complete, whereas in a grant, the non-charity generally comes up with the project idea and enacts it using grant money. With intermediaries, there must be records of ongoing instructions passed from the charity to the non-charity. Conversely, a non-charity technically has more freedom in a grant agreement so long as it completes the deliverables as outlined according to the budget agreed upon.

## Fig. 4 *Grant vs. Intermediary Agreement*

| | Grant Agreement[1] | Intermediary Agreement |
|---|---|---|
| **Description** | The charity makes a grant to a non-charity in furtherance of the charity's charitable purpose. The charity must ensure that the funds are used in furtherance of the charitable purpose[s]. | The charity hires an individual or organization as a contractor to provide specialized services that the charity does not have within its own organization. A charity usually exercises direction and control through an agreement with the consultant or contractor. |
| **Type of charity[2]** | Granting charity | Operating charity |
| **Project** | The non-charity proposes a project idea that fits within the funding and charitable mandate of the charity. | The non-charity is contracted to work on a project that the charity has predetermined.<br><br>In some cases, the charity and non-charity work together to develop the project. |
| **Involvement** | Charity may check-in periodically to see how the non-charity is doing.<br><br>At the close of the project, the non-charity reports back to the charity, relating all the goals and tasks that were accomplished using the grant money. | Charity provides ongoing instruction to the non-charity. The charity may also be providing resources, mentorship, and their expertise.<br><br>The resulting project is considered the charity's own activity. |

1 Grant agreements and grant relationships between charities/non-qualified donees are still relatively new under the Budget Implementation Act, No. 1. Keep an eye out on updates with the draft guidance to make sure you're in line with the latest legislation.

2 Neither granting or operating charities are limited to one agreement or another, but the chart illustrates potential options for agreements with consideration to how granting and operating charities tend to operate.



Remember that the CRA checks for compliance and understands the relationship between a charity and non-charity through the books and records provided. Therefore, it is incredibly important to ensure that your books and records are accurate and reflect the state of the organization.

Looking for more on working with intermediaries in Canada? Check out this guidance by the CRA. If you're hoping to learn more about making grants to a non-qualified donee, go to the CRA's draft guidance here. Both links have more on how to draft a grant or intermediary agreement and what they require.

*Working with intermediaries in Canada*

*Making grants to a non-qualified donee*

# Review

**WE'VE JUST COVERED** a lot of terms and a lot of information. We've summarized the main points here:

1. A registered charity is an organization that has been granted charitable status by the Canada Revenue Agency (CRA) and operates exclusively for charitable purposes and activities.
   a. A registered charity is a qualified donee, which is an organization that can issue official donation receipts for gifts they receive from individuals and corporations.

2. A non-charity in this document refers to any organization or group that does not meet the qualifications of being a registered charity, and therefore, is not eligible to receive charitable dollars on its own. This makes a non-charity a non-qualified donee.

3. Charities can only operate in two ways:
   a. It can carry out its own charitable activities through its own staff and volunteers, or through an intermediary.
   b. It can offer qualifying disbursements as
      i. Gifts to a qualified donee, or
      ii. Grants to a grantee.

4 A charity must follow the CRA-required own activities requirement. Any resources that a charity uses must be devoted to charitable activities carried on by the organization itself. Therefore, when giving its resources to another organization, the charity must be able to prove that it has direction and control over the resources it transfers and that the non-charity is using the funds as intended.

5 However, legislation around giving money to non-qualified donees is changing. A draft guidance ("Budget Implementation Act") allows charities to grant money to non-qualified donees, so long as direction and control is maintained under the own activities requirement. Although this guidance allows non-qualified donees to receive resources from charities, it also complicates the relationship through measures of direction and control.

  a The CRA is currently in the process of reviewing feedback for this guidance, and so the final legislation may look different.

6 Charities may partner with non-qualified donees, and for the rest of this guide, we've decided to focus on two relationships: a grant relationship and an intermediary relationship.



## Brain Break

Take a break by playing this word search!

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G | R | A | S | S | R | O | O | T | S | L | I | Y | T |
| J | T | N | S | P | C | P | O | Y | M | I | N | R | R |
| O | C | O | N | T | R | A | C | T | O | R | C | A | E |
| I | G | W | G | I | E | R | T | I | J | A | O | I | S |
| N | E | T | R | R | S | T | E | R | J | I | R | D | O |
| T | R | N | A | E | O | N | R | A | G | T | P | E | U |
| V | O | N | N | W | P | E | E | H | T | R | O | M | R |
| E | O | S | T | O | R | R | R | C | C | O | R | R | C |
| N | O | L | N | P | U | T | C | R | A | A | A | E | E |
| T | R | N | O | N | P | R | O | F | I | T | T | T | S |
| U | T | N | E | M | E | E | R | G | A | G | E | N | T |
| R | T | N | A | T | L | U | S | N | O | C | D | I | C |
| E | E | N | O | D | D | E | I | F | I | L | A | U | Q |
| T | R | W | E | A | U | T | O | N | O | M | Y | N | E |

**JOINT VENTURE**
**GRANT**
**AGENT**
**CHARITY**
**CONTRACTOR**
**AGREEMENT**

**QUALIFIED DONEE**
**CONSULTANT**
**INTERMEDIARY**
**AUTONOMY**
**PURPOSE**
**GRASSROOTS**

**POWER**
**NONPROFIT**
**INCORPORATED**
**PARTNER**
**RESOURCES**

Answers

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G | R | A | S | S | R | O | O | T | S | L | I | Y | T |
| J | T | N | S | P | C | P | O | Y | M | I | N | R | R |
| O | C | O | N | T | R | A | C | T | O | R | C | A | E |
| I | G | W | G | I | E | R | T | I | J | A | O | I | S |
| N | E | T | R | R | S | T | E | R | J | I | R | D | O |
| T | R | N | A | E | O | N | R | A | G | T | P | E | U |
| V | O | N | N | W | P | E | E | H | T | R | O | M | R |
| E | O | S | T | O | R | R | R | C | C | O | R | R | C |
| N | O | L | N | P | U | T | C | R | A | A | A | E | E |
| T | R | N | O | N | P | R | O | F | I | T | T | T | S |
| U | T | N | E | M | E | E | R | G | A | G | E | N | T |
| R | T | N | A | T | L | U | S | N | O | C | D | I | C |
| E | E | N | O | D | D | E | I | F | I | L | A | U | Q |
| T | R | W | E | A | U | T | O | N | O | M | Y | N | E |

# For NON-CHARITY PARTNERS

# 1

# Vision

**BEFORE WE DISCUSS** action steps, reflect on where you've come from. Your reflection and your visioning will guide how you conduct your work and establish new relationships.

- What's your origin story? Why was your organization founded?
- What are you hoping to achieve in your work? What are your goals for social change? Have you been meeting those goals?
- What are the values of your organization?
- What do you envision in a charity/non-charity partnership? How would you like to structure it?
  - Review Fig. 3 Types of charity/non-charity partnerships and decide which one works best for you. This can also be done in conjunction with a charity you'd like to work with.

If you're hoping to approach a charity to be your long-term financial intermediary, you need to be able to demonstrate how your organization matches their charitable purposes. Often, these agreements will begin with a project. Because of CRA requirements for charities to have direction and control, charities cannot just flow-through money to a non-charity. Even if a charity offers a multi-year, unrestricted grant, they will still require a sense of what you will be accomplishing with their support.

**Remember!**

Charities must fulfill their CRA-mandated own activities requirement, in which a charity must devote all of its resources to charitable activities carried on by the organization itself. Charitable activities must fall underneath their charitable purposes

Whether you're hoping to find funding for a short-term project or a long-term fiscal partnership, you should ask yourself the following questions:

- What kinds of projects do you want to work on/create in the next year? The next five years?
- What do you hope to achieve in your projects? Who will be impacted?
- What are the objectives of your organization? What needs does your organization address? What gap does your organization hope to meet?
- How do you see or want to see your organization's values play out in your project?
- What is the capacity of your organization, its staff, and volunteers? How may it fluctuate over the next year? The next five years?



REFLECT

# 2

# Gather

**NOW THAT YOU** have a project or projects you want to work on, take stock of what you have.

## What do you have to offer?

You already have tons of intangible things to offer, like your expertise, your experience, your knowledge, your creativity. What about the tangible things?

- **Staff/volunteers:** Do you have people to carry out the work? Are they paid staff that belong to the organization? Are they volunteers from the community or are they sourced from a regular pool of contacts that you have on hand? How much capacity do your staff/volunteers have?
- **Project materials:** This can range from software (e.g. Adobe Creative Cloud) to popsicle sticks. What do you have and what are you missing?
- **Space:** Maybe you need a venue for an event. Does your organization already have one?

- **Connections:** Do you have connections to the community you want to work with? What about other organizations, charity and non-charity alike?
- **Money:** You may already have some money from non-charitable donations. Maybe you did a fundraiser. How much do you have and how much will you need to see your project through?

REFLECT



## What are you missing?

- Now that you've gathered all your materials, what are you missing?
  - *What do you need from a charity partnership?*
  - What kind of support do you require?
- Do you require charitable funding? If you do, what kind of charity partner would you like to work with? Is it a charity partner you would work with in the long term (e.g. regular monthly donations) or in the short-term (e.g. one-time project)?

REFLECT

3

# Evaluate

**KNOW YOUR WORTH!** You're allowed to be picky with who you choose to work with. Be careful of the funding that may come with many strings attached.

## What opportunities for partnership are out there for you?

Which charities do you see yourself with? Recall the granting vs. operating charities chart (Fig. 1) in Being real about money. There's no dating app for charities, unfortunately, so you're going to have to do the work yourself, though asking around other non-profits and charities is always a good bet. Reflect on the types of partnerships (e.g. funding vs. operational partnerships) that your organization may consider aligning with, while making sure you keep in mind what you might be missing.

> The CRA guidance currently allows charities to disburse grants to non-qualified donees under the Budget Implementation Act, which received Royal Assent on June 23, 2022, but charities may choose to not exercise this option.

You may be interested in funding partnerships from a granting charity, where you primarily (and often only) receive funds to carry out your project. Some funders require a charity partner to apply for, while others do not. If you would like to apply for funding that requires a charitable partner, it's a good thing to take note of, so when you're proposing a charity partnership, you can point to the grant application options you already have down!

### What grants are open for application right now/soon?

There are many sites that compile and sort available grants for you. However, these sites, like Grant Watch, often have paywalls, though they can be a starting point. Some grants require a financial intermediary to apply with you—that is, you need a charity partner. If you're hoping to work with a charity, it might be good to show them a grant or other funding options that you're already looking into. And then apply together!

*See more of our grant application resources, including tips on grant writing, in Appendix A: Application.*



## Does your organization have an eligibility policy?

An eligibility policy outlines the criteria that applicants or potential partners must meet to qualify for partnership. An eligibility policy may relate to an organization's positionality, values, demonstrated actions, political beliefs, or company policies.

**Eligibility policy:** *a policy that outlines the criteria that applicants or potential partners must meet to qualify for partnership. An eligibility policy may relate to an organization's positionality, demonstrated actions, political beliefs, or company policies.*

At the same time, there is a real tension between access to resources and working in alignment with values. Given the reality of how wealth and power is structured, not everyone will get the opportunity to work with value-aligned charities and funds all the time. You'll often have to discern and make hard decisions that balance your values, the work you're trying to do, and the funding that's available to you. In every part of this work, it's important to find places where you can resist the non-profit industrial complex.

### The non-profit industrial complex

The relationship between charity groups and their wealthy corporate funders (which often involves the exchange of funding for soft control).

### What is the significance of the non-profit industrial complex (NPIC)?

The NPIC is a network of public and private entities—including the state, businesses, individuals, and non-profits themselves—who make decisions that uphold the power each of them has in society. The NPIC creates a top-down relationship between nonprofits and communities. It restricts how organizers can move within nonprofits, funneling their work in certain directions and shutting it off others. It turns radical possibilities into dead ends, ensures that the path of least resistance is one that doesn't challenge those in power, and amplifies corporate and state interests over the voices of those most impacted by inequity.

## Does their organization have an eligibility policy?

Are you compatible with the organization you're interested in a partnership with?

Review their *partnership and/or eligibility policy* if they have one. You don't want to waste your time inquiring into a grant or organization that you are not values-aligned with!



Look at the terms they have out already and whether they are suitable for you/your organization. Ask yourself the following questions:

- Does the charity align with your organization's vision, mission, and core values?
- What do they require from you?
  - Do they require a written application for partnership? A conversation? A reference letter?
- What's being offered? Funding may be:
  - Multi-year;
  - Unrestricted (the funds don't require a specific use for spending);
  - A single-time grant.
- Are there any administrative costs?
  - These costs may be a percentage of the total grant you're receiving, or the charity may also have a flat rate for administrative costs rather than a percentage.

**Administrative costs:** *the expenses a charity incurs when partnering with a non-charity. These costs may be passed onto the non-charity when in a grant agreement or partnership.*

**EXAMPLE**

Let's say you (the non-charity) are offered a $10,000 grant with your charity partner. Your charity partner may take a percentage of that money (anywhere from 2% to 20%, usually depending on how much labour the charity takes on) as administrative support expenses to cover costs such as accounting, IT services, office space and supplies, insurance and legal expenses, human resources, among other things.

What's in your organization's eligibility policy? If you don't have one, what would you include?

REFLECT



4

# Contract

**YOU'VE PICKED YOUR** partner and maybe now you have an informal relationship with a charity. To receive funds, however, you need to lay out an agreement and terms. Remember that the structure is still uneven (especially if you're signing an intermediary agreement as opposed to a granting agreement). No agreement will be perfect, but you want to negotiate the best terms possible for you to carry out the work you need to.

## Tips and tricks

1. Make sure you're receiving what you need from your charity partner (besides money). Some of the following can be outlined in the contract, and some may already exist in your informal relationship:
   - Mentoring and training
   - Administration services (accounting and finance)
   - Human resources
   - Operational costs and resources
   - Staffing support
   - Technology
   - Legal counsel
   - Help to apply to become a registered charity
   - Help with a grant application

2 Read carefully! Here are *some* of the terms and conditions you want to keep an eye out for and want to negotiate: **note: the headings on your contract may not be the same**

- **Intellectual property**

  Can you keep your own work? You should be able to in a grant agreement, but it gets more finicky in an intermediary agreement because technically, the charity is contracting you to do *their* work.

  Make sure you can retain/use your own work as much as possible!

- **Recognition**

  If this is intermediary work and you're contracted by the charity, make sure you're getting recognition for the work you do in at least some capacity.

  If this is a grant agreement, do they require acknowledgement of their support? How much acknowledgement? Are you potentially walking away with your work plastered in their logo?

- **Books and records**

  What books and records do you have to maintain? You probably have to keep separately tracked funds and invoices. Be aware of this clause; you probably won't be able to negotiate much since it's a CRA requirement, but know what's required of a charity from the CRA and follow accordingly.

The goal of the books and records requirement is to do the following:

1. Ensure that the charity's funds are being spent on its own activities or on gifts to qualified donees.
2. Check whether the charity is directing and controlling the use of its own resources.
3. Make sure all revenues can be verified.
4. Ensure that the charity's purposes and activities continue to be charitable.

There are serious repercussions for charities that funnel money to a non-charity without direction and control (including a suspension or retraction of charitable status). Books and records are kept as evidence to show that a charity's money is going where it should go.

Here are some of the books and records that a charity may require of you:

- Expense receipts and financial statements
- Records of communication via telephone, video, or email
- Records of ongoing instructions (e.g. meeting minutes, written records of decisions)
- Meeting minutes
- Any relevant audit or inspection reports
- Relevant photographs

Also, any money that a charity gives you must be tracked separately from the charity's own funds (e.g. in your organization's own bank account) and marked separately in your own books and records.

- **Term and termination**

  When does the contract end?

  On what grounds can they terminate your relationship? On what grounds can you?

- **Reporting**

  What are their reporting requirements? Email updates? Written reports?

  Do you need to follow a strict schedule? Milestones? Try to create as much leeway for yourself as possible.

- **Administrative support costs**

  Again, consider what services you hope to receive from your charity partner. A charity may have a predetermined flat rate or percentage for administrative costs, but determine whether your organization is willing to agree to it.



vision

gather

evaluate

contract

# Affirm

**CONGRATULATIONS ON** reaching this point! You've just read through a lot of information, so take a moment to breathe.

As a non-charity, you've likely conducted or will conduct a lot of exhausting labour. You might have submitted applications upon applications that require months of turnaround time without a guaranteed promise of funding. You might feel a little overwhelmed or discouraged by the state of the charitable sector. We want to take some time to affirm you in the work you're doing! Your work matters. Thank you for being here.

- A job title does not define you! You are more than just your productivity, output, and results. *Remember why you do this work, the people who show up for you, and the community you're accountable to.*
- Spend time *envisioning* equitable, liberated, sustainable futures.
- *Acknowledge your achievements and progress!* Don't compare yourself to organizations with years of experience in the sector and loads of funding.
- *Rest.* Our bodies are a site of liberation. Rest is a form of resistance because it disrupts and pushes back against capitalism, white supremacy, and a culture that glorifies overworking our bodies. Stop. And rest.

For

# CHARITY PARTNERS

**THOUGH CHARITIES PLAY** a significant role in the charitable sector, we must acknowledge that the institution of charity in Canada is based on a history of settler colonialism and white saviorism. Whether you have access to ample funding or you're struggling to make ends meet yourself, your status grants you privilege—use that privilege to uplift the communities around you!

Sometimes, you may not be the best person for the job. Non-charities, especially grassroots organizations, grow out of the community and therefore have extensive connections with the people on the ground. Also, you may not have the staff capacity to carry out projects that you want to see happen in your community. By supporting non-charities, you are expanding your network and your ability to carry out your charitable mandate.

**White saviorism:** *"an idea in which a white person, or white culture, rescues people of colo[u]r from their own situation." This can "[become] dangerous to individuals and cultures when 'empowering' other groups ends up taking their ability to help themselves, to grow as a community, and to have a sense of agency" (The Foundation For Tomorrow, 2019).*



1

# Vision

**BEFORE WE DISCUSS** action steps, reflect on where you've come from and then envision what you hope to achieve. Your reflection and your visioning will guide how you conduct and establish new relationships with non-charities.

- What's your origin story? Why was your charity founded?
- What are the charitable purposes of your charity? What are you hoping to achieve in your work? What are your goals for social change? Have you been meeting those goals?
- How has your charity been committing to practices of equity, diversity, and inclusion (EDI), anti-racism, and decolonization? In what ways may your charity be lacking or succeeding in implementing these principles?
- What do you envision in a charity/non-charity partnership? How would you like to structure it?
  - Review Fig. 3 Types of Charity/Non-Charity Partnerships and decide which one works best for your charity. This can also be done in conjunction with a non-charity you'd like to work with.

- What can you offer in a charity/non-charity partnership?
  - Here's a list of potential offerings:

    Mentoring and training

    Administration services (accounting and finance)

    Human resources

    Operational costs and resources

    Staffing support

    Technology

    Legal counsel

    Help to apply to become a registered charity

    Help with a grant application

    Access to charitable funding
  - What kind of funding are you providing?

    We encourage multi-year, unrestricted funding, as it allows organizations the flexibility to allocate resources where they need, and allows room for innovation and emergence.

REFLECT

## What type of charity/non-charity partnership are you offering?

Whether you are offering a grant opportunity (funding relationship) or an intermediary opportunity (operational partnership) will largely depend on whether you are a granting charity or an operating charity. Review the chart (Fig. 4) in Grant vs. Intermediary Agreement and determine whether you're looking for a grantee or an intermediary/contractor.

> Remember that a grant opportunity and an intermediary contractor position will look very different in terms of practice and implementation. A grant opportunity primarily involves regular check-ins with your non-charity partner, while a contractor will require much more direct oversight.



2

# Outreach

**THE FOLLOWING SECTIONS** are primarily written for *granting charities extending a call for applications from non-qualified donees.* However, even if you do not fall under that category, you may want to read through this section and work through the exercise to evaluate the ways your organization conducts its outreach.

> Operating charities looking for intermediaries (revisit Partnering with a granting vs. operating charities as a refresher) may consider starting with their established networks. Working with non-charities that you have an existing relationship with allows for further trust-building between collaborators that are working towards a common goal.

## Making Non-Qualified Donee Grants Accessible

Practices of accessibility are vital to keep in mind for any person or organization that comes in contact with your charity. We have provided some guiding questions as you conduct your outreach and application process.

### How are you putting the word out there?

Let's say you are opening up a call for grant applications. How can non-charities apply or get in contact with you if they're interested? Here are some options to think about:

- Closed call applications through word-of-mouth
  - If you're using your connections to spread the word, how much reach are you really getting? Are you only working with the same few groups?
  - This option may be best for charities with low capacity to form new relationships but hope to partner with familiar non-charities.
  - However, be wary of creating a silo or an echo chamber by consistently only reaching out to the same one or two groups.
- Open call online applications
  - An online approach may have the widest reach, but may not be accessible for non-charities that don't have much of an online presence. This is where using your networks and spreading the word through word-of-mouth could be helpful!

    If you don't have much of a network, don't worry—contact your local libraries! They have established networks and they're a hub for community going-ons.



- Conversation/meetings with inquiring non-charities
  - We encourage conversation as much as possible! This project may only be the starting point for a longer relationship. You want to start off on the right foot and get a better sense of who you're working with.

### What kind of non-charities are you willing to work with?

- Incorporated non-charities?
- Any group with a proposal?
- Individuals?
- Collaborating groups?
  - Consider having a collaborative applicants policy. To encourage connection and relationship in the charitable sector and in the community, you may consider allowing applicants to apply collaboratively for grant funding. This policy encourages connection and collaboration in the community, resisting the non-profit industrial complex that would pit non-profits against each other for funding.

**Collaborative applicants policy:** *a policy that allows applicants for funding or a grant to apply with collaborators. This policy encourages connection and collaboration in the community, resisting the non-profit industrial complex that would pit non-profits against each other for funding.*

**Non-profit industrial complex:** *the relationship between charity groups and their wealthy corporate funders (which often involves the exchange of funding for soft control).*

## STOP! Check your bias

What kinds of groups are you prioritizing? What's your criteria for applications?

- Are you prioritizing groups that are well-established versus groups that are starting out?
- Are you prioritizing organizations that are led by and serve equity-deserving communities, including IBPOC, 2SLGBTQ+, disabled, and low-income groups?
- Are you permitting applications from groups that speak another language? What language(s) will you work in/with?

### What is most accessible for a non-charity and most feasible for you?

Balance what is feasible for you while striving to be as accessible as you can. We have provided a list of options as a starting point:

- Consider alternative compromises or communications such as video applications.
- Let groups send you project proposals that they have sent to other charities and granters. It's a lot of labour to draft even one grant application; so long as you receive the information you require, allow non-charities the flexibility to apply how they are able.
- Reduce the amount of paperwork a non-charity needs to do. Use a screening process to determine whether funding is likely prior to a formal application.
    - Make your eligibility requirements clear so groups that you'd say no to won't waste their time applying.

      For example, your charitable purpose is to provide books to low-income students and a climate organization inquires with an unrelated proposal. Make it clear to them from the get-go that they are not eligible so they don't send in an application.

      Still, you can connect them with a charity that would be glad to see their proposal!

## Activity: Accessibility vs. feasibility chart

Use this chart to brainstorm options that will make your application process as accessible as it can be. After determining what is accessible, sort through what is feasible for your charity to do. Remember when you're writing down options for accessibility, the sky is the limit! Only try to think about practicality when you're determining what is feasible.

Key considerations:

- How will you capture the adequate amount of information that is required from a fiduciary standpoint?
- Are there ways that you can decrease the burden on non-charities to apply? (e.g. oral applications, compensation for applying)
- Is your access option scalable to ten applicants, to fifty?

| Accessibility Options | What is feasible? |
|---|---|
| | |



3

# Selection

**WHETHER YOU ARE** an operating charity working with an intermediary or a granting charity selecting your grantee, revisit your vision and values to make sure the non-charity you're working with aligns with your charitable mandate. As a registered charity, you're accountable to your donors and to the CRA:

1. Make sure the project aligns with your charitable purposes.
2. Make sure the project is considered "charitable" under CRA guidelines. "Charitable" is not defined in the Income Tax Act, but instead, common law determines what is considered charitable. As long as it falls under the CRA's charitable purposes, you should be good to go.

The next steps are to *obtain board approval* and then *create your agreement*.

4

# Contract

**THE CRA HAS VERY** particular requirements for the agreement you create with a non-charity, whether that's on a grant basis or an intermediary basis. For more of a guide to creating those agreements according to CRA guidelines, refer to the CRA's guidance on "Registered charities making grants to non-qualified donees" and "Using an intermediary to carry on a charity's activities within Canada."

*Registered charities making grants to non-qualified donees*

*Using an intermediary to carry on a charity's activities within Canada*

In addition to adhering to CRA provisions, here are some suggestions as you draft your contract for either a grant or intermediary agreement:

- Draft this in consultation with your non-charity partner.
    - The system may be biased for you, but you can still find ways to make it more equitable in your agreement. Make sure that your non-charity partner's needs are met.

- Leave room for flexibility.
  - Allow for flexibility in things like project milestones, reporting requirements, and funding allocations.
  - Is this agreement renewable or extendable?
- Trust should be the basis of your relationship.
  - You want to demonstrate trust in your non-charity partner. You want to make sure the project is on track, but trust that your non-charity partner is in the best position to make the project goals happen and that they know best how to spend the funding you provide.
  - We are, of course, not encouraging that you scrap your due diligence. Complete your reference reviews and background checks where possible, but keep in mind that the structures of the charitable sector are biased towards organizations with registered charitable status, and it encourages an environment of surveillance and distrust. In the face of this system, how can you as a charity best demonstrate relationality and trust within these constraints?
- Take a relational and responsive approach.
  - Invite feedback and respond to it actively and transparently.
  - Be clear and upfront with your requirements, questions, and what you are providing.
- Give recognition where it is due.
  - Clauses relating to intellectual property and recognition are tricky, especially when working in an intermediary capacity. Check with a lawyer to make sure how best to give recognition to your non-charity partner's work.



**Trust-based philanthropy**

The Trust-Based Philanthropy Project is an initiative to address the inherent power imbalances between foundations and non-profits. They offer a set of values and practices to help guide foundations as they establish partnerships with non-charities. We were inspired by their work and believe that their tangible practices regarding grantmaking offer a solid framework for charities to support non-charities in other ways as well.

Learn more about the Trust-Based Philanthropy Project here.

There are many things that won't be outlined in your contract. Your contract may not delve into the specifics of a mentor relationship or the networks you and your non-charity partner can offer each other. Remember that your relationship with a non-charity exists off-paper too! How can we practice reciprocity in relationship building instead of making it transactional?

# 5 Support

**YOUR WORK ISN'T** finished once the contract is signed. How will you support the completion of the project and the establishment of a trust-based relationship?

True relationship extends beyond the pages of your contract or the completion of a deliverable. Be generous with what you have and remember that both you and your non-charity partner(s) are on the same team!

Here are some ways you can support your non-charity partner. We've left you some space so you can add more to the list.

1 Connect and network

- Connect your non-charity partner to charities and non-charities that would be interested in the work they do.
- Acknowledge and showcase their work on your social media channels, newsletters, and/or blog. Direct people to the non-charity's website or work.
- Connect them with reliable contractors, staff, and/or volunteers, such as:

  Graphic and website designers

  Administrators

  Language service workers (e.g. translators, interpreters)

  Charity/non-profit lawyers and consultants

  Bank account managers

**2** Capacity-building workshops or meetings

- Offer assistance in the bureaucratic world of the charitable sector.

  Are they hoping to become a charity in the future? Are they hoping to enter other charity partnerships?

  Do they need guidance on how to file government forms/ tax returns? Or how to open a bank account for their non-profit? What about guidance on maintaining ledgers, books, and records?

Add more to the list!

REFLECT



vision

↓

outreach

↓

selection

↓

contract

↓

support

# Appendix A: Writing your Grant Application

**CREATE A BASE** application for your project and reuse materials/applications as much as possible.

Generally grant apps will require the same things of you:

### Project description

- What is your project about?
- Where will it be carried out?
- Who is it for?
- Who will you work with?

### Project rationale

- What is the purpose of your project?
- What community benefits will result from your project?
- Why are you the best suited for this project?

### Project deliverables

- How will you accomplish your project?
- What are the primary outputs?
- What do you require to conduct your project?

### Project timeline

- When will this project be carried out?
- When will you begin and when will you finish?

### Project budget

- How much money will you require?
- How will money be allocated?
  - Get specific. Break down the project budget into what you're spending it on.
  - If you already have funding for this project, the grant application may require you to disclose exactly what your funding will be going to in the project, as opposed to the funding you'll potentially receive.



- Example: You're applying for a $1,000 grant to build a local neighbourhood library. You already have a $500 donation. Your project budget may look like this:

**Building materials for shelves**
Amount: $500
Source: Private donation

**Labour to curate and organize book collection**
Amount: $300
Source: Grant

**Used book sourcing**
Amount: $700
Source: Grant

**Transportation and distribution of books**
Amount: $100
Source: In-kind donation

**What's an in-kind donation?**

A non-cash gift, such as goods or services, that is donated to an organization. In the example here, the transportation and distribution of books is *valued* at $100, but is donated *in-kind*.

*Links to grant application resources*

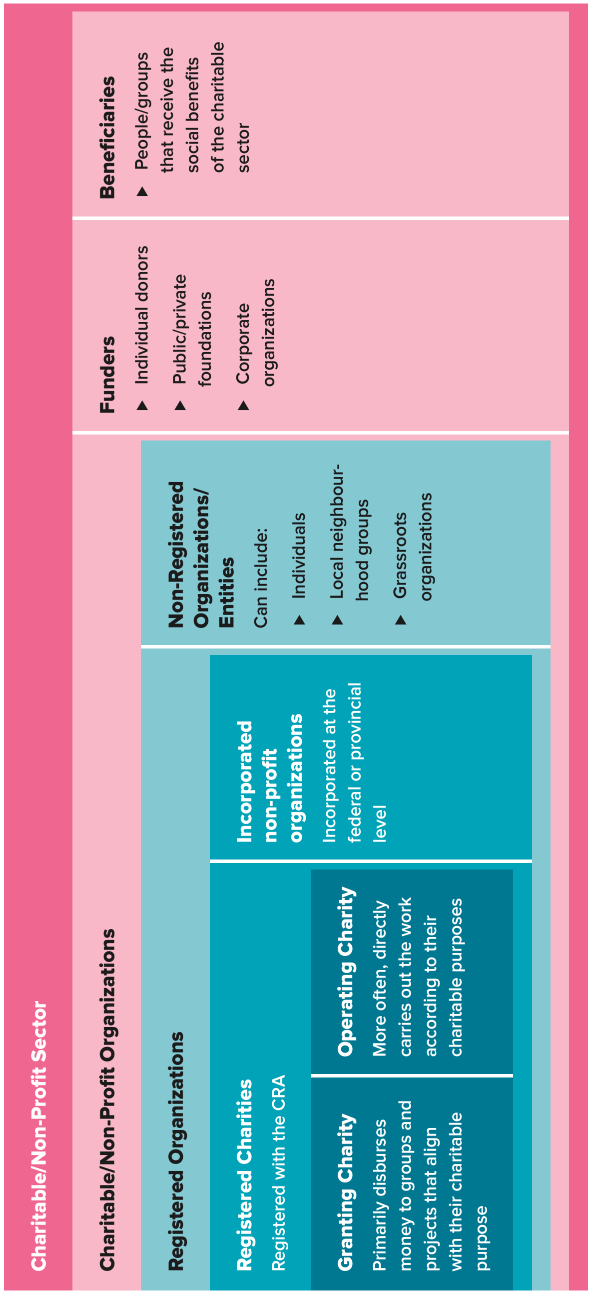
# Appendix B: Figures

## Fig. 1 *Granting vs. operating charities*

| | Granting | Operating |
|---|---|---|
| **What they can bring to a charity partnership**[1] | • Access to charitable funding | • Access to charitable funding<br>• Existing work and related experience |
| **Areas where charity can create more impact** | • Provide operating grants or more flexible funds for the development of a non-charity<br>• Longer term agreements<br>• Trust-based relationships<br>• Network with other charities, non-charities, contractors, and volunteers | • Access to mentorship and expertise<br>• Advice and feedback on fundraising<br>• Take on more admin operational, and legal costs of partnership<br>• Network with other charities, non-charities, contractors, and volunteers<br>• Office or event space |

1 What charities can offer depends on the size and resources available to the charity. This chart provides a range of suggestions and does not definitively list what every and all charities can provide.

Fig. 2 *An overview of the charitable sector*[1]




1 This is not an exhaustive chart, and is meant to be a brief visualizer of the charitable sector.

Fig. 3 *Types of charity/non-charity relationships*

| Type of Relationship | Define the Relationship | Funding |
|---|---|---|
| **Intermediary: Agent Relationship** | When the charity uses an agent to carry out activities on the charity's behalf. Charities often use agents when they need staff or resources to provide activities in an area that they cannot reach geographically. | The activities of the agent may be funded or supported by the charity. |
| **Intermediary: Consultant or Contractor** | When a charity hires an individual or organization as a contractor to provide specialized services that the charity does not have within its own organization. A charity usually exercises direction and control through an agreement with the consultant or contractor. | The consultant/contractor is paid by the charity for completing specific deliverables. |
| **Joint Venture Relationship** | When a charity and one/more joint venture participant(s) pool their resources to accomplish an agreed-upon goal under the terms of a joint venture agreement. This differs from consulting/contracting in that a charity doesn't rely solely on the joint venture participant to carry on the charity's activities. The structure of joint ventures varies from case to case. | Each partner contributes resources. Decisions about how resources are used are made jointly. |
| **Cooperative Venture Relationship** | When an organization works side-by-side with a charity to complete a charitable activity. The charity and the other organization(s) each take on responsibility for specific parts of the project. | Each partner provides the resources needed for their activities. There is no sharing of resources. |
| **Grant/ grantee** | When a charity disburses money to a grantee in furtherance of a charitable purpose of the charity. The charity must ensure that the disbursement is used exclusively in furtherance of the charitable purpose[s]. | The charity provides the funding to the grantee. |

Fig. 4 *Grant vs. intermediary agreement*

| | Grant Agreement[1] | Intermediary Agreement |
|---|---|---|
| **Description** | The charity makes a grant to a non-charity in furtherance of the charity's charitable purpose. The charity must ensure that the funds are used in furtherance of the charitable purpose[s]. | The charity hires an individual or organization as a contractor to provide specialized services that the charity does not have within its own organization. A charity usually exercises direction and control through an agreement with the consultant or contractor. |
| **Type of charity[2]** | Granting charity | Operating charity |
| **Project** | The non-charity proposes a project idea that fits within the funding and charitable mandate of the charity. | The non-charity is contracted to work on a project that the charity has predetermined.<br><br>In some cases, the charity and non-charity work together to develop the project. |
| **Involvement** | Charity may check-in periodically to see how the non-charity is doing.<br><br>At the close of the project, the non-charity reports back to the charity, relating all the goals and tasks that were accomplished using the grant money. | Charity provides ongoing instruction to the non-charity. The charity may also be providing resources, mentorship, and their expertise.<br><br>The resulting project is considered the charity's own activity. |

1 Grant agreements and grant relationships between charities/non-qualified donees are still relatively new under the Budget Implementation Act, No. 1. Keep an eye out on updates with the draft guidance to make sure you're in line with the latest legislation.

2 Neither granting or operating charities are limited to one agreement or another, but the table illustrates potential options with consideration to how granting and operating charities tend to operate.



# Glossary

**Administrative costs:** may also be known as administrative support costs or administrative expenses. The expenses a charity incurs when partnering with a non-charity. These costs may be passed onto the non-charity when in a grant agreement or partnership.

**Charitable purpose:** the CRA-required purposes of a charity's existence. These purposes must relate to at least one of the four CRA categories of charitable purposes (relief of poverty, advancement of education, advancement of religion, or other purposes beneficial to the community).

**Charitable sector:** the charitable sector is a portion of the economy that is dedicated towards social wealth, and whose primary motive is to benefit the larger society without motivations for profit. We use this term broadly to also refer to formal and informal organizations, groups, and individuals that work in and around this space.

**Charity (or registered charity):** an organization that has been granted charitable status by the Canada Revenue Agency (CRA). A charity has registered charitable purposes that must relate to the four broad categories of charitable purposes as defined by the CRA: relief of poverty, advancement of education, advancement of religion, or other purposes beneficial to the community.

**Collaborative applicants policy:** a policy that allows applicants for funding or a grant to apply with collaborators. This policy encourages connection and collaboration in the community, resisting the non-profit industrial complex that would pit non-profits against each other for funding.

**Colonialism:** the domination of a people or area by a foreign state or nation, the practice of extending and maintaining a nation's political and economic control over another people or area. Please see settler colonialism.

**Cooperative venture relationship:** when an organization works side-by-side with a charity to complete a charitable activity. The charity and the other organization(s) each take on responsibility for specific parts of the project.

**Direction and control:** a CRA term delineating the power the charity must exert and be able to prove over the resources it transfers to non-charities.

**Eligibility policy:** a policy that outlines the criteria that applicants or potential partners must meet to qualify for partnership. An eligibility policy may relate to an organization's positionality, demonstrated actions, political beliefs, or company policies.

**Funding partnership:** a partnership established between a non-charity and a granting charity. The relationship primarily and may solely involve the transferring of funds from the granting charity to the non-charity for the purpose of charitable objects.

**Grassroots:** a group or movement that uses collective action at a local level to enact social change; usually draws people from a given district or region or community as the basis of social movement.

**Incorporated non-charity:** please see non-charity.

**In-kind donation:** a non-cash gift, such as goods or services, that is donated to an organization.

**Intermediary:** an individual or organization that is a non-qualified donee, separate from the charity, that does work on behalf of the charity.

- **Agent:** when the charity uses an agent to carry out activities on the charity's behalf. Charities often use agents when they need staff or resources to provide activities in an area that they cannot reach geographically.
- **Consultant/contractor:** when a charity hires an individual or organization as a contractor to provide specialized services that the charity does not have within its own organization. A charity usually exercises direction and control through an agreement with the consultant or contractor.

**Joint venture relationship:** when a charity and one/more joint venture participant(s) pool their resources to accomplish an agreed-upon goal under the terms of a joint venture agreement. This differs from consulting/contracting in that a charity doesn't rely solely on the joint venture participant to carry on the charity's activities. The structure of joint ventures varies from case to case.

**Non-charity:** a non-charity in this document refers to groups that operate for a purpose other than profit, for social welfare or civic improvement, and that do not have charitable status.

- **Incorporated non-charity:** a for-profit or non-profit organization that does not have *designated charitable status*, but it does have *legal status* through its registration as a society. If you're an incorporated non-charity, you still can't get charitable dollars, but you're legally recognized by institutions.

**Non-profit industrial complex (NPIC):** the relationship between charity groups and their wealthy corporate funders (which often involves the exchange of funding for soft control).

**Non-profit organization:** a group that operates for a purpose other than profit. Purposes can include social welfare, civic improvement, pleasure, and recreation.

- Examples include: social, recreational, or hobby groups; certain festival organizations; certain amateur sports organizations.

**Non-qualified donee:** please see **qualified donee**.

**Operational partnership:** a partnership established between a non-charity and an operating charity. The partnership may involve the transferring of funds, but also includes tangible and intangible support relating to the administrative, operational, and legal aspects of the project.

**Own activities requirement:** a CRA requirement for registered charities to devote all of their resources to charitable activities carried on by the organization itself. Resources include all physical and financial resources, as well as staff and volunteers.

**Qualified donee:** an organization that can issue official donation receipts for gifts they receive from individuals and corporations

- **Non-qualified donee:** an organization that cannot issue official donation receipts.

**Registered charity:** please see **charity**.

**Settler colonialism:** a particular form of colonialism, where the ongoing practices and systemic structures attempt to claim settler sovereignty and settlement of non-Indigenous peoples on Indigenous lands by disappearing and dispossessing Indigenous peoples and privileging some settlers while excluding others. Please see **colonialism**.



**Trust based philanthropy:** a set of values and practices to help guide foundations as they establish partnerships with non-charities. For more information, please visit https://www.trustbasedphilanthropy.org/

**White saviorism:** "an idea in which a white person, or white culture, rescues people of colo[u]r from their own situation." This can "[become] dangerous to individuals and cultures when 'empowering' other groups ends up taking their ability to help themselves, to grow as a community, and to have a sense of agency" (The Foundation For Tomorrow, 2019).

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> *This resource discusses Charity/Non-Charity partnerships, and it has further questions and considerations when choosing your charity/non-charity partner. It is dated from 2015, so does not include the latest updates from the CRA regarding grant/grantee relationships.*

The Foundation for Tomorrow. (2019) *White saviorism in the non-profit world.* https://thefoundationfortomorrow.org/white-saviorism-in-the-nonprofit-world/

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> *Taken from their website: "The Trust-Based Philanthropy Project is a five-year initiative (2020-2024) that provides funders and grant-making practitioners with the tools, frameworks, and community spaces to deepen their work of creating a more equitable and impactful philanthropic sector."*