

Bookshelf

Canadian Taxation of Charities and Donations (3rd ed.)

By Arthur B.C. Drache

Published by Richard De Boo Publishers, Toronto, 1987, \$135 (supplements sold separately)

REVIEWED BY DAVID E. SPIRO

Student-at-Law, Ontario

The sheer volume of recent legislative and judicial change in Canadian income tax law relating to charities (e.g., the recently proclaimed tax reform measures and a recent spate of court cases dealing with the extent to which charities may engage in “political” activity) has increased the demand for timely expert analysis. In this work, Arthur Drache, an Ottawa lawyer who has advised the federal government on the taxation of charities and donations and is also a columnist for *The Financial Post*, ably fills this need by offering guidance to those Canadian charities, foundations and donors who wish to organize their affairs in a tax-effective manner.

The first portion of the book deals with the federal income tax obligations of charities and foundations (registered charities: concepts and mechanics; charitable organizations; public foundations; private foundations; the issuing of receipts; reporting requirements; special fund-raising issues; associated charities and other relationships; and quasi-charities). The second part discusses tax planning for donors (charitable donations: the legislative framework; donating capital property; creating a private foundation; tax planning to increase donations). The final chapter is devoted to the taxation of non-profit organizations.

The book is written in an engaging, conversational style which helps the reader to make sense of the *Income Tax Act*. The author uses a number of examples to clarify complex concepts (e.g., the calculation of the disbursement quota), and includes information designed to help readers to comply with various legislative and regulatory requirements. For example, in chapter 13 at page 19 he outlines a number of issues which founders of private foundations must address. They must, says Drache:

- decide what the policy of the foundation is to be;
- decide whether the charity will operate as a corporation without share capital or as a trust;

- decide who will control the charity;
- decide how the foundation will be funded;
- do a *pro-forma* balance sheet and income statement as well as a projection of expenditures;
- check with Revenue Canada before the corporation is created if they have any doubts about the charitable validity of the objects;
- check with their legal advisers about any obligations they, or the foundation, may have under provincial legislation; and
- make an application for registration to Revenue Canada.

The book is published in a hardcover five-ring compression binder which allows the author to publish one or more updating supplements each year. (Supplements were issued in August, 1988 and October, 1987.) This new feature alone is a dramatic improvement over previous editions.

Tax planning is normally a time-consuming process requiring familiarity with a wide variety of sources including the *Income Tax Act*, regulations, rulings, Interpretation Bulletins, Information Circulars and forms as well as knowledge of the administrative policies and practice of Revenue Canada. The author has spared the reader a great deal of time and effort by collecting the relevant source material in one volume. He has also chosen not to clutter the text with extracts from the primary sources but, instead, has reproduced the relevant provisions in an appendix at the back of the book. This arrangement allows the reader to comprehend how the system works on a conceptual level without being distracted by the details of each regulation and form along the way.

Donors, charities, foundations and their advisers often ask Revenue Canada for its view before taking a particular course of action. Before consulting the Department, however, it is vital that both donors and charitable organizations familiarize themselves with the positions the Department has taken on similar issues in the past. Unfortunately the Department does not publicize much of its administrative practice so this knowledge is difficult to acquire unless one is in contact with the tax administrators on a regular basis. The author generously shares his own valuable "inside knowledge" on topics ranging from registering a charity to accounting for foreign charitable activities and invites readers to submit information on administrative practice and procedure for inclusion in future supplements.

This third edition represents a significant contribution to the field and is essential reading for those who administer charitable organizations and foundations as well as for lawyers and accountants who advise charities, foundations and donors.

Handbook for Cooperating Associations and Voluntary Organizations

By John Fisher, (INPO Inc.)

Published by Cooperative Authorities, Visitors Activities Branch, Environment Canada, Parks, 1986, 9 vols.

REVIEWED BY WILLIAM GLEBERZON
Executive Director, Meals on Wheels of Ontario

Governing Volunteerism

In recent years governments at all levels have become increasingly aware of the vital role played by the voluntary sector. Various reasons are put forward to account for this unfolding enlightenment. An attempt to keep the cost of social programs down by relying on volunteers may be a major cause. Increasing calls for government funding of volunteer agencies may be another.

The commitment to volunteerism by Ontario's Ministry of Community and Social Services is reflected in its recently published Discussion Paper, *Managing Ontario's Social Services: Agency Relations and Accountability*. The Discussion Paper explains:

As provincial government involvement in social services has increased, the role of municipalities and community organizations has also evolved over time from being relatively independent and autonomous to a reliance on the province for more funding and policy direction... Private community organizations receiving funds directly from the Ministry although still legally independent and self-directing are accountable to the public for the decisions they make and the funds they spend.

As programs grow and evolve, so do community values and expectations. These changes must also be reflected in new approaches to co-ordination, management and delivery.

The paper focuses on subjects like "The Role of Boards of Directors" and "Provincial Associations and Organizations". (The section on "The Role of For-Profit Organizations" in social service delivery raises a host of other issues which will require another discussion.)

Among the "Strategies for Implementation" outlined in the Discussion Paper, "The Next Steps" includes the establishment of comprehensive management development programs for boards of directors and paid staff

in all types of voluntary organizations. Of course, the most important step is actually to do what is proposed.

The Discussion Paper has been produced to encourage consultative discussion between the voluntary sector and the Ontario government. The process is most welcome—and necessary. It will also be relatively lengthy and its outcome is uncertain.

Nevertheless, the Discussion Paper highlights the need for proper training for volunteers and staff. What can boards of directors and staff do while the process sparked by the Discussion Paper in Ontario and other initiatives in other provinces unfold?

They can prepare to take part in the national training program developed by The Canadian Centre for Philanthropy and Ryerson Polytechnical Institute in Toronto. (The program began in January of 1989.) As well, they can turn to the wealth of training literature available. One comprehensive and, most important, highly readable reservoir of assistance can be found in the series of booklets making up the *Handbook for Cooperating Associations and Voluntary Organizations* which was originally produced by Cooperative Activities, Visitors Activities Branch, Environment Canada, Parks, in 1986. The author is John Fisher, INPO Inc. Despite the rather esoteric and even awesome title of the series and producing agency, the booklets are very practical and therefore extremely useful for any volunteer group. Since the principles of volunteer development transcend the particulars of any organizational focus, the series was reprinted in 1988, in a limited edition, by the Voluntary Action Directorate of the Secretary of State.

A government official has described the booklets as “reference books” but they are more than that. The series consists of nine colour-coded (therefore, independent, or rather, interdependent), and three-hole punched (to allow for easy storage in binders) booklets. Topics include: “Getting Started—Boards of Directors” (No. 1), 46 pp.; “Planning” (No. 2), 37 pp.; “Financial Management” (No. 3), 30 pp.; “Public Relations” (No. 4), 65 pp.; “Volunteer Management” (No. 5), 62 pp.; “Paid Personnel Management” (No. 6), 95 pp.; “Fund Raising—Getting Ready” (No. 7), 100 pp.; “Fund Raising—Ready To Go” (No. 8), 226 pp.; and “Government Relations” (No. 9), 14 pp.

The relative size of each volume raises interesting questions. Fourteen pages are devoted in this government-funded series to “Government Relations” compared to a total of 326 pages on “Fund Raising”. Is there perhaps a very broad hint that voluntary organizations should be leaning towards financial independence from government?

In any event, each volume is laid out in an eye-catching way and includes simple graphics and charts. Each is also written in a straightforward manner. A random selection from the volumes demonstrates the usefulness of the series.

The first volume ("Getting Started—Board of Directors") includes material on the legal aspects of boardmanship, currently a matter of hot interest for many boards of directors. The booklet on "Planning" has a graphically simple model of an "action plan" and explanations of key planning terms.

Volume Three on "Financial Management" sets out simple accounting procedures. Volume Four on "Public Relations" was specifically designed "to include information basic to the practice of Public Relations" and the practical information is easy to understand and implement.

"Volunteer Management" (No. 5) deals with the elements of "the volunteer cycle": recruitment, interviewing and screening, orientation, placement and continuing support, recognition and evaluation. A section on legal liability pertaining to volunteers is, according to the author's note, "not intended to be a definitive (legal) opinion", but suggestive only; nevertheless, the information is very helpful. This volume also provides a chart on the comparative merits of various methods of training volunteers.

The lengthier booklet on "Paid Personnel Management" (Vol. 6) touches on the basic principles of personnel management in a "how-to" manner and includes such topics as: finding employees, writing job descriptions, and performance appraisals. It outlines model personnel policies and practices and an appendix incorporates a "Guide to Screening and Selection in Employment" which includes germane excerpts from the Canadian Human Rights legislation and, in chart form, the sort of questions which can, and cannot, be asked in an interview. (This information is also useful for those who are interviewing volunteers.)

Fund raising merits two long volumes (Nos. 7 and 8). The first sets public fund raising in a statistical context and indicates that individuals give nearly three times as much as foundations and corporations combined. It then lays out a number of practical fund-raising strategies including in-kind donations, telemarketing, direct mail, retail outlets, and membership fees. It also compares The Solicitation Approach (from grantsmanship and door-to-door canvassing to planned giving and memorial and honouring gifts) with The Reciprocal Benefit Approach (from games of chance like bingos, raffles, and Monte Carlo nights to 500 ideas for special events). Each type of program is described with just enough detail to enable the reader to understand what it is and how to do it, without being overwhelm-

ing. The mystery surrounding the successful obtaining of pledges is unravelled in Vol. 8, pp. 112-113 with the added bonus of a sample pledge card. Vol. 7, pp. 79-85, performs the same service for those seeking information about direct mail by describing the elements in a traditional direct mail package as well as four differing formulae for direct mail letters.

The final volume in the series, "Government Relations" (Vol. 9), reminds the reader that "A Government Program is composed of year-round, two-way information. It aims to educate as a means of producing benefits to each party. Major strategies include monitoring, ongoing contact, advocacy." Within its succinct 14 pages, the booklet encompasses the issues of who in the association should engage in the program; a simplified diagram of how the government works; and governmental points of access for citizen groups. It indicates how an association can audit the effectiveness of its government relations program in point form. (For example, point eight asks, "Has the Government Relations program produced significant benefits [for your association]? What are these?" Surely a significant, but obvious and therefore easily overlooked question.)

Without reservation, I can state that this series should be part of any volunteer association's resource library. (It goes without saying, of course, that all charitable organizations should be developing such a library.)

It is often said that advice is worth what you pay for it. In the case of this very valuable package, however, you get much more than you pay for. The series is free and available from:

The Voluntary Action Directorate
Department of the Secretary of State, Government of Canada
Ottawa, Ontario, K1A 0M5
(819) 994-2255

or from

The Canadian Centre for Philanthropy
74 Victoria Street, Suite 920
Toronto, Ontario, M5C 2A5
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