

Direct Funding to Non-Qualified Donees Policy

1. Policy Overview

The policy outlines United Way Greater Toronto's (UWGT) policy and procedures for the provision of grants directly to non-qualified donees in alignment to Canada Revenue Agency (CRA) Guidelines under Bill C-19. It ensures adherence to CRA regulations regarding such grants, emphasizing risk management and transparency and accountability. This initiative aims to make direct funding accessible to organizations, thereby advancing UWGT's impact within the community and furthers our commitment to funding Indigenous and equity-led organizations as part of our Reconciliation and Equity Plan.

2. Purpose

The purpose of this policy is to enable UWGT to deepen its commitment to funding agencies that are led by and serving Indigenous communities and equity deserving groups and advance investment priorities. Philanthropic Foundations Canada noted that non-qualified donees are more likely to be led by and serving Indigenous, Black and other equity deserving populations, better positioned to address, identify and advance the needs of these communities, but least likely to access charitable funding. While UWGT historically supported NQD's through trusteeships, this policy enables UWGT to directly provide funding up to \$75,000 annually through multi-year or one-time grants, meeting specific criteria.

Furthermore, the policy also ensures compliance with CRA guidelines by utilizing the CRA-recommended Risk Assessment matrix (Appendix 1) and Accountability Tools (Appendix 2) in assessing non-qualified donees. By adhering to these guidelines, UWGT can mitigate risks while promoting transparency and accountability in its grant-making process.

3. Definitions

Non-qualified Donees: Organizations that contribute to charitable activities but do not have registered charity status with the Canada Revenue Agency (CRA).

Qualified Donee: Organizations that have registered charity status with the CRA and are eligible to issue official donation receipts for tax purposes.

Accountability Tools: due diligence measures recommended by CRA or a charity to meet the accountability requirements (Appendix 2). Tools or mechanisms for ensuring transparency, monitoring outcomes, or evaluating effectiveness of non-qualified donees.

Charity: includes all three types of registered charities: [charitable organizations](#), [public foundations](#), and [private foundations](#).

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Due Diligence: refers to steps taken to satisfy the legal requirements for granting under the Income Tax Act; this guidance recommends a process for doing this through accountability tools.

Donor Designation: a specific type of contribution made by a donor with the explicit instruction that the funds be allocated to a particular agency or organization. It is earmarked for a specific purpose determined by the donor.

Grant: refers to a “qualifying disbursement” made to a “grantee organization”.

Grantee: refers to a “grantee organization”, as defined in the Income Tax Act, and includes “a person, club, society, association or organization or prescribed entity, but does not include a qualified donee”.

Multi-Year Grant: involves providing funding support over multiple years rather than a single lump sum.

Risk: refers to conditions that could compromise the charity’s registration and the public’s trust in the charitable sector.

Risk Assessment Matrix – refers to the risk assessment tools recommended by CRA when assessing grants to non-qualified donees (NQD) (Appendix 2). It is used to evaluate the risks associated with providing grants to NQD.

4. Guiding Principles

4.1 UWGT’s decisions regarding direct funding to non-qualified donees will adhere to the following principles:

- a. **Legality and Risk Management:** Ensuring that all decisions adhere to the due diligence approach outlined in CRA’s recommended grant-making process for granting to non-qualified donees, thereby mitigating risks and ensuring compliance with legal requirements.
- b. **Consistency:** Establishing clear grant categories and funding types as a framework for applying the due diligence approach consistently, aiming to reduce administrative burden for agencies and UWGT.
- c. **Reputation:** Demonstrating accessibility and inclusiveness by providing opportunities for non-qualified donees, while also proactively managing risks to safeguard UWGT’s reputation from potential harm.
- d. **Donor Designations:** UWGT will **not** issue grants to NQD for gifts from donors who specifically direct funds to NQDs. The Income Tax Act (section 149.1) prohibits charities from accepting a gift from a donor that is expressly or implicitly conditional on the charity providing grants to NQDs or grantees. As a result, UWGT will not grant designated funds to NQDs. This ensures adherence to compliance with regulations, risk mitigation, transparency and accountability, and to ensure focus and mission of UWGT.

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Exceptions to the policies and procedures will be discussed with the Chief Financial and Operating Officer and the Vice-President of Community Impact. If deemed necessary, appropriate direction will be sought from the President and Chief Executive Officer, as well as from members of the Board of Trustees or qualified professionals.

5. Directives

5.1 UWGT will apply the CRA's recommended due diligence model in the following ways:

- a. **Establish how the grant activity furthers the charity's charitable purpose:** All grantees will submit their organization's purpose and mission as part of the grant application process, and these will be reviewed by UWGT staff to ensure alignment with charitable purposes and UWGT mission.
- b. **Assess the grant's risk level based on factors that may affect the charity's ability to meet the Income Tax Act requirements:** UWGT will categorize risk assessment factors outlined by the CRA and present the following risk categories that will inform due diligence processes and the application of accountability tools. This review is outlined in Table A

Tier 1: Grants that are above \$75,000: NQDs are not eligible for direct funding but may be considered through a trustee.

Tier 2: One-time and multi-year grants between \$5,000 and \$75,000: NQDs may receive direct funding with the following application of accountability tools:

- **Research and review:** All grants will be assessed through a written application form for the following minimum eligibility requirements:
 - a. Be an incorporated non-profit organization in Canada or the Province of Ontario.
 - b. Have financial statements for at least one year that have been audited by a licensed public accountant or be trusted by a registered charity that has financial statements for at least one year that have been audited by a licensed public accountant.
 - c. For charities with annual revenue of less than \$100,000 a review engagement for at least one fiscal year, conducted by a licensed public accountant.
 - d. Provide services in one or more of the following geographic areas: Peel Region, Toronto, York Region.
 - e. Provide services to people living in, or at risk of, poverty.
 - f. Provide social or community services as a primary mandate.
 - g. Have a bank account in the name of the organization.
 - h. Provide segregation of duties.
 - i. Have a conflict-of-interest policy
- **Description of grant activity:** All grantees will submit a written application that will include a detailed description of the grant activity including a budget for the program.
- **Written agreement:** All grants will be executed with a formal written agreement before funds are transferred.
- **Reporting plan:** All grantees will submit reports annually at minimum. Multi-year recipients will also receive an agency visit at least annually.
- **Transfer payment schedule:** Establish payment schedules for non-qualified donees to facilitate monitoring. Establish monthly payment guidelines for multi-year grants, adjust

payment frequency for other grants based on such factors as grant size, duration and purpose of the grant, ensuring consistent payment intervals throughout the grant period.

- **Separately tracked funds:** Grantees will provide annual reporting on funds used and may be required to participate in receipt auditing.

Tier 3: One-time and multi-year grants under \$5,000: NQDs may receive direct funding with the following application of accountability tools:

- **Research and review:** All grants will be assessed through a simple written application form for the following minimum eligibility requirements:
 - a. Have a review engagement, audited/unaudited financial statement by licensed public accountant, or be trustee by a registered charity that has financial statements for at least one year that have been audited by a licensed public accountant.
 - b. For charities with annual revenue of less than \$100,000 a review engagement for at least one fiscal year that has been conducted by a licensed public accountant would be acceptable.
 - c. Provide services in one or more of the following geographic areas: Peel Region, Toronto, York Region.
 - d. Provide services to people living in, or at risk of, poverty.
 - e. Provide social or community services as a primary mandate.
 - f. Have a bank account in the name of the organization.
 - g. Have a conflict-of-interest policy.
- **Description of grant activity:** All grantees will submit a written application that will include a detailed description of the grant activity including a budget for the program.
- **Written agreement:** All grants will be executed with a written agreement in the form of a letter or contract before funds are transferred.
- **Reporting plan:** All grantees will submit reports annually at minimum.
- **Transfer schedule:** Will vary according to the grant terms.
- **Separately tracked funds:** Grantees will provide annual reporting on funds used and may be required to participate in receipt auditing.

4.2 Overall Allocations

Grants directly allocated to non-qualified donees will be capped at 5% of the total grants distributed to community organizations annually. Exceptions may be considered in the event UWGT is contracted to distribute government funds.

Exceptions will be reviewed by the Chief Financial and Operating Officer and the Vice-President of Community Impact and Mobilization who shall, if deemed necessary, obtain appropriate direction from the President and Chief Executive Officer and members of the Board of Trustees.

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4.3 Reporting and Storage of Information

Annually, staff will report to CIC, the Board and CRA regarding the number of direct grants disbursed to non-qualified donees. Reports to CIC and the Board will be included in the annual report on community investments and related activities. Reporting to CRA will adhere to annual filing obligations, encompassing the T3010 Registered Charity Information Return which includes disclosures of grants to non-qualified donees along with pertinent details about the non-qualified donees.

FBMTS will provide a central repository managed by Community Impact, for storing copies of letters of agreement or contracts for all NQD grantees. Additionally, Community Impact will maintain records of applications, eligibility review, and other reporting and monitoring activities within this central repository.

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Appendix 1 – CRA Risk Assessment Matrix

Factors	Low risk	Medium risk	High risk
Charity's experience	significant experience with grants or working with non-qualified donees (such as an intermediary)	some experience with grants or working with non-qualified donees (such as an intermediary)	no experience with grants or working with non-qualified donees (such as an intermediary)
Grantee's experience	extensive and effective experience with charities and charitable program	some related experience either with charities or charitable program	newly established grantee or charitable program
Purposes and governing documents of grantee organization	purposes are closely aligned with those of the charity	there are some differences between the purposes of the charity and grantee, such as a non-charitable purpose, but the grant activity can still fall within at least one of the grantee's charitable purposes; for example, a for-profit entity that has a purpose that could also be charitable, such as providing educational services	not clear that the charitable grant activity would fall within a purpose of the grantee
Governance structure of grantee organization	clear framework of responsibilities and reporting structure within the organization	some organizational structure in place, but not comprehensive	little to no organizational structure
Grantee's regulation and oversight	subject to charitable regulation, including in a jurisdiction outside Canada	not subject to charitable regulation, but is subject to other governmental oversight in a jurisdiction outside Canada	not subject to any regulatory oversight
Private benefit concerns	limited private benefit concerns	some private benefit concerns	significant potential for unacceptable private benefit, such as granting to a non-arm's length party.
Grant activity	inside Canada	outside Canada	outside Canada
	in a stable country or region, including security and social stability	in a country or region that is somewhat stable , including social instability, or where there are some security concerns	in a country or region that is significantly unstable , including violent conflict or other social instability, or where there are security concerns
	strong infrastructure	at least basic infrastructure, such as banks or reliable internet access	lack of infrastructure, such as limited access to financial institutions such as banks or to the internet
	in a country where the charity or grantee have an established presence	in a country where the charity or grantee do not have significant previous experience or connection	in a country where the charity or grantee do not have any previous experience or connection
Grant amount	low value of grant (up to \$5,000)	moderately high value of grant (more than \$5,000 and up to \$50,000)	high value of grant (more than \$50,000)
Nature of resources granted	non-cash resources that are likely to be used only for charitable purposes, such as charitable goods, including textbooks or medical supplies	resources that are somewhat susceptible to non-charitable use, such as a mix of cash and non-cash resources	resources that are susceptible to non-charitable use, such as cash, cryptocurrency, and real property
Grant duration	short-term grants (less than two years)	longer-terms grants with an end date (between two and five years)	long-term grants over five years, including grants with no end date (such as real property grants.

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Appendix 2 - CRA Accountability Tools

	Low risk	Medium risk	High risk
Research and review	Limited review, particularly where the charity has a pre-existing relationship with the grantee	Moderate review, such as independently researching the grantee	Extensive review, such as requesting information from the grantee or an in-person visit
Description of grant activity	Simple description of grant activity	Written description of key elements of grant activity	Detailed written description of grant activity
Written agreement	Simple agreement; other documentation, such as email records and meeting minutes, are likely sufficient for non-recurring grants of \$5,000 or less	Formal written agreement with key terms	Formal written agreement with comprehensive terms
Reporting plan	Simple written final report	Written final report, covering key deliverables, and if relevant to the charity, interim reports	Detailed written final report, and where appropriate, interim reports
Transfer schedule	For the charity to consider under the circumstances	If likely to be a concern for the charity	Yes, unless resources cannot be transferred periodically
Separately tracked funds	Yes, such as a simple ledger and supporting documentation	Yes, such as a ledger of key elements and supporting documentation	Yes, such as detailed record keeping and supporting documentation

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