

THE TRUTH ABOUT CHARITABLE STATUS AND YOUR MAGAZINE

Introduction

Obtaining registered charitable status can potentially introduce new avenues of funding for magazines not available to sole proprietorships or even non-profits. But obtaining and maintaining registered charitable status can be time consuming and potentially unnecessary if not taken advantage of once obtained. Before starting down the path to registered charitable status, it is important to understand the requirements—both initial and ongoing—and the benefits. This will both let you make an informed decision about whether becoming a charity is right for your magazine and ensure the greatest chance of a successful application.

What is a registered charity?

The Canada Revenue Agency (CRA) defines a registered charity as a charitable organization, public foundation or private foundation that uses its resources for charitable activities and has charitable goals related to one or more of the following: poverty relief, educational advancement, religious advancement or activities that benefit the community. Examples of these types of charitable organizations include soup kitchens, colleges or universities, places of worship and libraries.

A charity can only reap legal benefits such as issuing charitable receipts and not paying income tax by becoming registered.

Advantages to pursuing charitable status:

- The ability to issue official donation receipts can be an incentive for individuals and corporations to give or increase their donations.
- Charities are exempt from paying income tax.
- Charities are eligible to receive gifts from registered charities and foundations.
- Charitable organizations often gain credibility within the community in which they operate.
- Many of the goods or services a charity provides are exempt from GST/HST.

A registered charity must:

- devote its resources to its specified charitable undertaking;
- maintain direction and control of its funding, staff and property;
- meet its annual spending requirement;
- keep reliable and complete financial books and records;
- issue complete and accurate official donation receipts; and

- maintain its status as a Canadian legal entity.

Registered charities that do not meet their obligations could lose their status and the benefits that come with it.

Registered charity vs. non-profit

The CRA defines a non-profit organization as a club or society that is not a charity and is operated exclusively for social welfare, civic improvement, pleasure, recreation or any other purpose that doesn't involve making a profit. Examples of non-profit organizations include hobby groups (bridge clubs, golf clubs), some amateur sports organizations and some festival organizations, such as parades.

An organization can only define itself as either a charity or a non-profit, even if some of a non-profit's operations are charitable in nature.

A registered charity:

- operates exclusively for charitable purposes;
- must apply to the CRA to receive registered charitable status;
- can issue tax-deductible receipts;
- must spend a minimum amount of its funds on its charitable activities;
- must file an annual tax informational return;
- is not required to pay income tax; and
- must pay GST/HST on most purchases.

A non-profit:

- operates for social welfare or any other purpose not for earning a profit;
- does not have to register with the CRA;
- cannot issue charitable receipts;
- may have to file an annual informational tax return;
- is not required to pay income tax in most cases; and
- must pay GST/HST.

Can a magazine qualify as a registered charity?

A magazine looking to obtain legal charitable status must meet the same requirements as any other organization. Of the four recognized charitable goals mentioned above, magazines generally fall under advancement of education. Education in this respect legally is defined as advancement of knowledge or skills; the raising of artistic tastes; or the improvement of useful knowledge through research. An educational charity is further defined as having structure to its teaching or learning component and must

educate in a targeted way (i.e., printing or posting educational content in the hope someone will choose to read it usually will not qualify as an educational undertaking).

In 2006, the Canada Revenue Agency published a policy commentary to clarify its positions on whether organizations publishing magazines may be considered educational for the purpose of becoming a registered charity. In this commentary, the CRA recognized that a registered charity is capable of advancing education through the publication of a magazine but stressed that in such cases a magazine's contents must be predominantly educational. Magazines publishing under charitable status may contain some non-educational material (e.g., opinion pieces, stories for purely entertainment purposes, advertising), provided this material is limited.

Why would a magazine register for charitable status?

Magazine publishers usually operate as for-profit businesses. They can receive money through subscription and newsstand sales, advertising, events, merchandise and government subsidies and grants. In recent years, however, many once-lucrative revenue streams are now less so. Becoming a registered charity is one avenue that potentially can introduce a publisher to areas of revenue it otherwise would not qualify for. However, it is important to understand that applying for registered charitable status, maintaining that status and taking advantage of that status all require a certain degree of work and human resources. If you plan to convert your magazine to a charity, it is important to make sure the amount of new income you're able to raise as a result outweighs the work involved in obtaining and maintaining charitable status.

The ability to write charitable receipts may encourage individuals to donate money to your organization, but if you have a strong subscriber or donor base already, it's possible you might not see a significant increase in income in that area. Corporations often donate to charities in the form of sponsorships, but this money usually is written off by the donor as a marketing expense, making a charitable receipt unnecessary in these particular cases. Magazines thinking about applying for registered status need to assess whether there are enough new additional sources of funding to make becoming a charity worthwhile.

How to apply for registered charitable status

Technically, applying for registered charitable status is as simple as filling out the form found on the CRA website and waiting for a response. However, you will make a much stronger case if you have programming in place beyond the publishing of a magazine, detailed plans for future programming and are able to make a strong case, through words and support material, as to why the CRA should approve your application. Any group considering applying for charitable status should first talk to others in the industry

who have gone through the process and, if possible, consider hiring a lawyer with experience in obtaining charitable status to assist with your application.

Some of the things you'll need to describe include:

- what you plan to achieve, how you plan to achieve it and why;
- who will benefit from your activities;
- who in your organization will carry out the work and what each person specifically will do;
- how you will maintain control over your activities and resources;
- dates, locations, and costs for all of your activities.

As we'll see in the case studies below, being well prepared can make a big difference in the success of your application.

Case studies

The Dance Current

The Dance Current is a bi-monthly publication serving the Canadian dance community. Its content, available both in print and digitally, features artist profiles, interviews, feature articles, opinion pieces, critical commentary and performance listings. The magazine was founded in 1998 and is published by Dance Media Group, which also undertakes a number of additional dance-related activities, including an internship program for journalism and dance students, conferences, talks, salons, workshops and seminars.

In approximately 2006, *Dance Current* founding editor Megan Andrews and the organization's board of directors began thinking about obtaining registered charitable status for Dance Media Group. The organization already had a small donor base, but through informal conversations with others in the industry, they decided having charitable status and being able to issue tax receipts likely would not alone bring in a significant amount of new income. They did, however, feel that through charitable status there was the potential to access foundation funding.

Andrews considered the magazine's content educational in nature and felt the group's programming spoke to the CRA's education criteria. With some assistance from a local dance organization, Dance Media Group put together an application for registered charitable status. "We didn't put a lot of detailed work into the application and it was rejected," says Andrews. "The response was, 'Submit more information or withdraw your application.'" So, we just withdrew it, because we didn't have the human resources inside the organization to pursue it."

A few years later, the organization decided to try again, this time with more advance thought on how to compile an application that presented the organization effectively.

“We were in really good shape,” Andrews says, “and we were wanting to grow the infrastructure to bring someone in. It was sort of a succession-planning moment.” The group’s board of directors was involved with the application process but did not seek any outside help from a lawyer or consultant. Again, the CRA requested more information, and again Dance Media Group withdrew. “It was a labour-intensive process, and I was just flat out running the organization and working another job,” says Andrews. “It was an extra thing to do that I literally didn’t have time for.”

Around 2013, the organization tried for charitable status once more, this time with help from a lawyer working on a pro bono basis. “What we learned is it’s really hard for a magazine to present itself as a charitable entity, because it’s commonly seen as a commercial enterprise. Advertising sales, subscription base—it’s not easily seen as fitting into any of the criteria,” says Andrews. “I felt that the true mission behind what we were doing was education and arts and public engagement, it was a matter of fighting to articulate how. We had a website offering free educational content. The whole effort was about educating the public, but the CRA didn’t see it that way because it wasn’t about having committed students in an interactive environment being educated. We had started to do some facilitated discussion groups, we were doing more active seminars and writing programs and things like that, so that was very much more clear in terms of the educational aspect. We included tons of examples, letters of support, bios of everybody, lists of academics who published with us, evidence that we had mounted fundraising campaigns and had been receiving donations from folks—evidence that we had been acting like a charity even though we didn’t have the designation.”

Andrews and her board and staff spent five years, off and on, working on this third attempt, but once again the CRA questioned Dance Media Group’s application. This time, Andrews felt the team had made the organization’s case so strongly that she refused to withdraw and wrote an impassioned 12-page appeal arguing her case. In June 2018, Dance Media Group finally was granted charitable status.

Crystal Melville, *The Dance Current’s* publisher, says Dance Media Group is still figuring out how best to make use of its new status. “We haven’t had the capacity to fully leverage why we fought for that status,” says Crystal. “We just finished our five-year strategic plan and from there we’ll be developing a plan to figure out which foundations we’re going to apply to. It’s a slow process. I think one of the key things is building our capacity. We don’t really have the human resources to apply to foundations yet.”

In the meantime, Melville says the group is keeping a close eye on compliance issues to help ensure it retains its status. “There’s a number of bookkeeping and accounting practices, tax exemptions, updates to board governance,” she says. “We updated our bylaws to make sure they reflect our new purpose. We updated our conflict of interest policy as we came across some changes to charitable law around board compensation.

We wanted to make sure our policies and procedures reflected charitable laws. There's not really a guide to how you meet internal compliance. You learn by doing."

The New Quarterly

The New Quarterly is a quarterly literary magazine based at St. Jerome's College at the University of Waterloo, in Ontario. It was founded in 1981 and is published by the New Quarterly Literary Society. The magazine publishes fiction, poetry and creative non-fiction, and its activities include mentorships, workshops for immigrant and refugee women, and an annual literary festival.

In 2012, *The New Quarterly* staff began thinking about obtaining charitable status to allow it to give tax receipts to the significant number of readers who were donating money. Doug Woodley, then a member of *TNQ's* board of directors, began digging through the CRA's website, which he says he found to be "a bureaucratic maze." He sought advice from several people in the industry and was directed to a lawyer with experience in helping organizations obtain charitable status. "The work was not difficult once we had his direction," Woodley says. "It took about six or seven months once we got going with them." *The New Quarterly* obtained charitable status on its first try, something Woodley credits to the magazine's connection to an educational institution and to the various programs it already had in place.

Obtaining charitable status allowed *TNQ* to apply for a number of government arts grants it previously didn't qualify for and those grants now make up 40 per cent of the organization's budget. It continues to seek donations from readers and has received sponsorship money for its various programs.

One unique way *The New Quarterly* has made use of its charitable status to drive revenue has been by running biweekly bingo nights. The idea was suggested more than a decade ago by Carolyn Pegg at the end of her term as a *TNQ* board member. "My husband is an active volunteer and one of the main sources of income for his groups is monthly bingos," Pegg says. "So, when I left, I suggested to the board that, as my parting gift, I would investigate setting up bingo for *The New Quarterly* as a source of revenue and I have been managing it ever since." In Ontario, bingo nights are operated by volunteers working on behalf of a charity—in this case *TNQ's* board of directors—at halls owned by third parties and all money earned as a result is split between the charity and the owner of the bingo hall. "When I was on the board, the fundraising involved having a silent auction, a launch, or a golf tournament," Pegg says. "Those kinds of things take a massive amount of planning and a massive amount of time on the part of the volunteers. The return is all right, but it isn't great. This is mindless, it's four hours a month and it's consistent." *TNQ's* bingo money allowed it to institute regular honorariums for the magazine's contributors and even to raise the amount of those honorariums over time. "We have two bingos a month," says Pegg. "Each bingo requires three volunteers, we're at the bingo hall for four hours for each

bingo, and we raise between \$1,500 and \$1,700 a month. It's our primary mode of fundraising aside from grants."

Exile

Exile is a literary quarterly, founded in 1972 and published by the Excelsis Group. It publishes fiction, poetry, drama and non-fiction, as well as visual artists. The Excelsis Group also offers a literary mentoring program, writers' workshops, literary competitions and in-school programming.

In the early 2000s, CEO and publisher Michael Callaghan says that he began to feel a shift in how public funding—i.e., grants—was being awarded to magazines. Standards and criteria were changing, and the funding that once essentially was guaranteed was no longer so. "We could see that we had to reconsider what we were doing," Callaghan says.

It was the author Margaret Atwood who initially suggested, more than a decade ago, the idea of *Exile* applying for charitable status. "She was the one who suggested that was a way to go, because that way you could rely on charitable donations or private funds," Callaghan says. "An individual would be writing you a cheque, or a corporation would be supporting what you do because they appreciated and respected your unique and important contribution to Canadian culture."

At the time, Callaghan didn't feel the magazine was in a position to take on becoming a charitable operation. "Ten years went by, and more people who were close to us brought it up again in earnest. Government funding was really being reduced across the board for literary publications." In 2015, *Exile* began the long process of preparing for an eventual charitable status application, forming a board of directors and incorporating the Excelsis Group. In 2017, it submitted an application to the CRA and was rejected.

"The application wasn't detailed enough," Callaghan says. "After the rejection, I was able to have a variety of conversations with the CRA and they directed me to their website. I spent a long time poring through it to look at what's really involved to obtain charitable status for a magazine. We realized that because of the long history of *Exile* and all the writers who are part of the Exile family, there were a lot of other opportunities we could present as part of our charitable endeavor, with *Exile* sitting at the centre."

Callaghan was determined to try again, and the following year he resubmitted the application. "My final application was 22 pages long," Callaghan says. "The lawyer we used said it was the most impressive application making a case for charitable status he'd ever read." This second application was successful, and the Excelsis Group received its charitable status in February 2019. Since then, the group has leaned heavily on soliciting private donations. "When you're doing all that work for a \$5,000 or \$10,000 grant, it seems kind of silly when you can go have a one-hour meeting and get

\$5,000 or \$10,000,” Callaghan says. “BMO was the first to step up and sponsor our mentoring program. After a one-hour talk they committed \$90,000 to us over three years. We’ve received some private donations and the next thing is going to be approaching foundations and looking into endowments. The core thing is the magazine, so though, say, BMO put up money for mentoring, it’s stipulated we can use a portion of that for the magazine, because without the mag who are we mentoring? It seems to be a much more responsible way of doing things. Not that I’d give up the public funding, but it’s no longer the primary focus for us.”

Conclusion

As seen in the above case studies, the Canada Revenue Agency judges each application for charitable status on its own merits. It is unlikely an application will get far if the applicant doesn’t take the time to research what constitutes a registered charity and how it relates specifically to the magazine industry. Publishing a magazine is not enough.

Resources

<https://www.canada.ca/en/revenue-agency/services/charities-giving/giving-charity-information-donors/about-registered-charities/what-difference-between-a-registered-charity-a-non-profit-organization.html>

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-commentary-027-publishing-a-magazine.html>

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidance-018-arts-activities-charitable-registration.html>

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/registering-charitable-qualified-donee-status/apply-become-registered-charity/apply/describing-your-activities.html>

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/registering-charitable-qualified-donee-status.html>

About Magazines Canada

Magazines Canada is the national association representing Canadian-owned, Canadian-content consumer, cultural, specialty, professional and business magazines. French, English, Indigenous and ethnic member titles cover a wide range of interests, trades and communities across the country and across multiple platforms. Topics include arts and culture, business and professional, lifestyle and food, news and politics, sports and leisure, women and youth. The association serves Canadian magazines through the core services of government affairs, retail distribution, professional development and research.

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