
LEGAL RISK MANAGEMENT CHECKLIST FOR ONTARIO-BASED CHARITIES

Terrance S. Carter & Jacqueline M. Demczur¹

A. INTRODUCTION

The operations of charities have become complex and the possibility of litigation against charities occurring as a result of their operation is an ever present reality. The exposure of charities to liability goes further than the loss of charitable assets and/or the insolvency or winding up of a charity. Directors of charities may also personally face legal actions against themselves by donors, members, third parties and governmental authorities for breach of their fiduciary duties or even breach of trust in failing to adequately protect or apply the assets of a charity. Given the increased risks to both charities and their directors, there is an increasing need to protect charitable assets from lawsuits on a proactive basis.

The purpose of this legal risk management checklist is to provide a brief outline of some of the more important issues that directors, officers, and/or executive staff of a charity, whether incorporated or not, may want to consider in ensuring due diligence in the operation of the charity. As it is impossible to adequately address all issues faced by charities, this checklist provides only a general overview of the many considerations that charities and their boards of directors may need to be aware of to both identify and manage legal risks.

¹ Terrance S. Carter, B.A., LL.B., TEP, Trade-Mark Agent, is managing partner of Carters Professional Corporation, and counsel to Fasken Martineau DuMoulin LLP on charitable matters. Jacqueline M. Demczur, B.A., LL.B., is a partner at Carters Professional Corporation, practicing in the area of charity and not-for-profit law. They would like to thank Bart Danko, B.Sc., M.E.S., J.D., Student-At-Law, for his assistance in preparing this *Checklist*. ©2014 Carters Professional Corporation

B. IDENTIFICATION AND MANAGEMENT OF LEGAL RISKS

1. Is separate charitable status needed?
 - a) Are donation tax receipts required?
 - b) Can the organization work under the auspices of an existing charity?
 - c) Business donors may not always require charitable receipts if there is a sponsorship opportunity
2. General overview of organizational and legal documentation
 - a) Identify the existence and location of key organizational documents
 - Develop an inventory of key documents
 - Maintain central location for key documents
 - b) Identify key organizational documents for an unincorporated charity
 - Constitution and amendments, if applicable
 - Policy statements and procedures, if applicable
 - c) Key organizational documents for a corporate charity
 - Letters patent and supplementary letters patent, if applicable
 - Membership covenant and mission statement, if applicable
 - By-laws and resolutions
 - Directors, members and debt registers
 - Copies of government filings
 - d) Determining other key legal documents
 - Leases, deeds and mortgages
 - Agency, partnership, association and joint venture agreements
 - License agreements
 - Business name, trade-marks, Section 9 (*Trade Marks Act*) official marks and domain names
 - Charitable registration number, T3010's and correspondence from Canada Revenue Agency ("CRA"), including the CRA letter granting charitable registration
 - Operational policy statements, e.g. sexual abuse and volunteer policy statement
 - Historical record of insurance policies
 - Privacy policies
 - Investment policies
3. Review of key documents for an unincorporated charity

- a) Are the objects clearly stated in the constitution and are they exclusively charitable?
- b) Do constitutional documents correctly reflect how the organization is actually structured and operated?
- c) Is a copy of the constitution filed with the appropriate government agencies, i.e. with CRA and the Ontario Public Guardian and Trustee (“OPGT”) for charities operating in Ontario?

4. Review of key documents for an incorporated charity

- a) Review of letters patent or articles of incorporation
 - Is the name in the letters patent or articles of incorporation the correct name of the charity and is it consistent with the charitable objects of the charity?
 - Are its objects exclusively charitable in nature?
 - Are the activities carried out by the charity authorized by its charitable objects or purposes?
 - Is the dissolution clause complementary to the charitable objects or purposes?
- b) Review of supplementary letters patent or articles of amendment
 - Have all supplementary letters patent or articles of amendment been identified?
 - Has there been a change of corporate name?
 - Has there been a change of corporate objects or purposes?
 - What is the effect of a change of objects upon existing charitable property?
- c) Letters patent of amalgamation or articles of amalgamation
 - Are the charitable objects the same or similar?
 - What are the terms of the amalgamation agreement?
 - Is the existing charitable property held in trust for the charitable objects of the previous charitable corporations?
- d) Does the charity have historical records of all by-laws?
- e) Are the by-law provisions clearly defined and properly passed?
- f) Review of corporate by-law for basic terms
 - Do provisions conflict with the letters patent or articles of incorporation concerning objects, purposes or dissolution?
 - Do the provisions reflect the actual organization and operational structure of the organization?
 - Does the by-law reflect changes to applicable corporate legislation?
 - Is there an adequate indemnification provision for the directors?
 - Has the indemnification provision been authorized in accordance with the regulations under the *Charities Accounting Act* (Ontario)?

- Are the by-law amendment procedures consistent with corporate legislation?
- g) Was the initial corporate organization of the charity properly done?
- h) Was there a documented transfer of assets and liabilities on incorporation?
- i) Are the records of board decisions and/or membership meetings complete?
- j) Was there adequate board and/or members' authorization for indebtedness, if applicable?
- k) Have corporate records been properly maintained, such as consent to be directors and applications for membership?
- l) Where are the corporate records kept?
- m) Have necessary corporate filings and registrations been kept up to date?
 - Ontario Corporations:
 - ♦ Initial Notice and Notice of Change - Form 1
 - ♦ *Business Name Act* (Ontario) registrations
 - ♦ Mandatory reporting to the Office of the Public Guardian and Trustee
 - Federal Corporations:
 - ♦ Annual Summary (Form 3) – Canada
 - ♦ Extra-Provincial Initial Notice (Form 2) – Ontario
 - ♦ *Business Name Act* (Ontario) registrations
 - ♦ Mandatory report to the Office of the Public Guardian and Trustee
 - ♦ Does the charity operate and/or fundraise in any other provinces? If so, there may need to be registration as an extra-provincial corporation and/or fundraiser in other provinces (such as Alberta), together with applicant business name registrations.
- n) Has there been loss of corporate status for failure to maintain government filings?
- o) Is the charity aware of the importance of proper use of corporate name and operating names?
- p) Has the charity developed and implemented operational and risk management policy statements, where applicable, on:
 - Abuse Prevention,
 - Accessibility,
 - Authorization procedures (e.g. due diligence as a requirement of obtaining authorization for a decision or action),
 - Board succession planning, recruitment, and orientation,
 - Brain and spinal injury prevention and management (when working with youth sports),
 - Bullying,
 - Child protection,

- Code of conduct,
 - Confidential and proprietary information,
 - Conflicts of interest,
 - Crisis management plan,
 - Disbursement,
 - Donor recognition,
 - Fiscal management,
 - Gift acceptance,
 - Human Resources,
 - Investment,
 - Political activities, advocacy, and lobbying,
 - Protocol for domestic and foreign volunteer projects,
 - Privacy (with respect to donors, employees and volunteers),
 - Provision of goods and services to people with disabilities,
 - Public relations,
 - Safety in the workplace,
 - Sexual harassment,
 - Social media, computing, and acceptable use of technology equipment,
 - Third party use of the charity's facilities,
 - Volunteer conduct and volunteer recruitment (including application forms and agreements),
 - Whistle blowing and fraud prevention, and
 - Workplace violence and harassment prevention?
- q) Is the content and effectiveness of policies evaluated and reviewed on an annual basis, or as appropriate?
- r) Has the charity conducted an up-to-date inventory of its charitable assets, including intellectual property, i.e. trade-marks and copyright?
5. Has the charity reviewed the *Canada Not-for-profit Corporations Act* or Ontario *Not-for-Profit Corporations Act* and assessed what changes will need to be made to its constating documents and begin continuance transition?
- a) Existing federally incorporated charities had until October 17, 2014, to continue under the *Canada Not-for-profit Corporations Act*. (Failure to do so will result in revocation 120 days after date of notice from Industry Canada).

- b) The Ontario *Not-for-Profit Corporations Act* is expected to be proclaimed in force in 2016 at the earliest. Once proclaimed, charities incorporated in Ontario will have three years to amend their corporate documents to transition under the new legislation

C. UTILIZING MULTIPLE CHARITABLE CORPORATIONS

1. Should the charity consider utilizing multiple charitable corporations for its high risk activities in order to better manage those risks?
2. Should a provincial or national charity that consists of member organizations be structured as an umbrella association of multiple corporations (federated model) or as a single corporation?
3. Should the charity consider establishing and utilizing a parallel foundation for either fundraising purposes or better management of charitable assets?
4. Has appropriate consideration been given to balancing inter-corporate relational provisions with regard to multiple corporations with issues involving the possibility of cross over liability?
5. Has appropriate consideration been given to implementing effective inter-corporate relational provisions through contracts and/or licensing agreements as an alternative to overt corporate governance control?

D. BOARD MANAGEMENT ISSUES

1. Who is a director?
 - a) What are the qualifications and procedures (i.e. election rules) to be elected a director and have all of those qualifications and procedures been met by each director, including the new “ineligible individuals” requirements under the *Income Tax Act* (Canada)?
 - b) Are there conflicting qualifications to be a director in the by-laws, articles and board policies?
 - c) Is the register of directors being maintained at least on an annual basis and are any changes among the directors or in their addresses being sent to the relevant government authority?
2. Is the charity able to identify which group is in charge of the charity?
 - a) Where does the *de facto* control of the charity lie? Is it with a board, a committee or executive staff?
 - b) Is authority of the board recognized by the membership?
3. Are the lines of authority between the board and the executive staff clearly defined?
4. Does the board meet on a regular basis with all directors in regular attendance?
5. Has an independent audit committee been established to review financial statements and the auditors’ report?

6. Is there adequate communication of board responsibilities to existing, new and future board members?
 - a) Need to create a board binder of all corporate documents, as well as an explanation of the general operations of the corporation as a charity and the board of directors' legal duties and liabilities.
 - b) Need to provide regular updates on changes in the law to board members.
7. Are the individuals who are authorized to enter into contracts as signing officers on behalf of the charity clearly identified in their officer capacity instead of as individuals?
8. Are there policies in place to address board succession planning, recruitment, and orientation?

E. REDUCING THE BOARD'S EXPOSURE TO LIABILITY

1. Are the directors aware of their duties with respect to ensuring:
 - a) The objects or purposes of the charity are properly carried out and the charity's activities comply with their objects or purposes?
 - b) The charity's financial stability and overall performance?
 - c) Proper hiring and supervision of management and staff?
2. Do any directors receive direct or indirect remuneration or other financial benefit from the charity in contravention of their fiduciary duties?
3. Has the charity given authority to indemnify its existing and former directors and officers in accordance with applicable corporate legislation and regulations under the *Charities Accounting Act* (Ontario)?
4. Is there corporate authority to acquire directors' and officers' liability insurance in accordance with the requirements of the *Charities Accounting Act* (Ontario)?
5. Has the board delegated too much responsibility to executive staff by restricting itself to policy decisions only without careful and ongoing supervision?
6. Should the charity consider reducing the size of the board to limit the number of people who are exposed to liability as directors?
7. Is the charity effectively making use of committees as an alternative to a large board of directors?
8. Do the board members occasionally need to receive independent legal advice due to the possibility of liability exposure?
9. Should the charity consider implementing an advisory board to complement the board of directors without a corresponding exposure to liability?

10. Has the charity established a comprehensive due diligence review procedure by establishing and utilizing the appropriate legal risk management checklist?
11. Has a legal risk management committee of the board been established or its functions added to the duties of another committee, such as an audit committee?
12. Are the directors and officers aware of their fiduciary responsibilities at law in operating the charity?
13. Are the directors and officers exercising due diligence in relation to the charity by remaining knowledgeable about its operations and ensuring its assets are properly protected?
14. Are new and existing directors and officers receiving proper orientation and training?
15. Are the directors ensuring that employee source deduction and GST/HST amounts pursuant to the *Income Tax Act* (Canada) and *Excise Tax Act* (Canada) are being remitted to avoid personal liability?

F. INSURANCE CONSIDERATIONS / RISK TRANSFER

1. Has the charity maintained a historical record of its insurance coverage in the event of a future claim?
2. Is there occurrence-based or claims-made insurance coverage for sexual abuse?
3. Has the charity provided full written disclosure each year of all risks to its insurer to avoid denial of coverage?
4. Does the charity request regular written reports from its insurance broker on existing coverage, exclusions from coverage and recommendations to enhance coverage?
5. Is there a regular review of the adequacy and extent of general liability coverage and property insurance, as well as employment benefits and practices liability?
6. Is there directors' and officers' liability coverage in place and is it reviewed on a regular basis to ensure its adequacy?
7. Do there need to be special insurance endorsements to extend insurance coverage to "out of the ordinary" activities, e.g. third party use of facilities, non-owned vehicles, activities of volunteers and agents in foreign countries, and errors and omissions (i.e. professional services) including counselling.
8. Has the charity considered obtaining the services of an independent insurance consultant or specialist to conduct a risk management review of the charity's operations and policies from an insurance perspective to determine the adequacy of insurance coverage?

9. Has the charity developed and administered effective liability shields in the form of informed consents, disclaimers, releases, waivers and indemnities for program participants as necessary as part of a volunteer agreement?

G. THIRD PARTY USE OF CHARITABLE PROPERTY

1. Is the charity aware of the potential liability exposure in permitting third parties to use its property?
2. Has the charity developed and implemented a facility use policy and facility use agreement with appropriate waiver releases and indemnification?
3. Does the charity require evidence of liability insurance from third party users of its facilities?
4. Has the organization provided written notice to its insurer concerning the use of its property by third parties?
5. Does the charity charge appropriate fair market rental fees to users of these properties that are not charities?
6. Does the organization have the implicit corporate authority to allow third party use of its property?
7. Does the third party use constitute an unrelated business prohibited by the *Income Tax Act*?
8. For charities with lifestyle requirements, has consideration been given to compliance with the *Human Rights Code* (Ontario)?

H. REAL PROPERTY ISSUES

1. Property Owned By the Charity
 - a) Has an environmental assessment been conducted to determine the extent of possible liability exposure for the organization in relation to future acquisitions as well as existing properties?
 - b) Are there trust provisions in old trust deeds or title documents? If so, are they being complied with? Should they be varied by a court?
 - c) Has the charity addressed and rectified encroachments with neighbouring lands?
 - d) Are municipal zoning and legal non-conforming uses being complied with?
 - e) Has the charity reviewed its municipal property tax assessment for accuracy and to determine both classification and valuation? If so, has there been a request for reconsideration or appeal of assessment?
 - f) Has the charity leased its lands and have the terms of the lease been reviewed for possible liability concerns?
 - g) Does the charity own property with a cultural heritable value or interest and is therefore subject to the *Ontario Heritage Act* (Ontario)?

- h) If the charity has fuel oil storage tanks either above or below ground, is it aware of the requirement for upgrading or removal pursuant to Ontario Regulation 213/01, *Fuel Oil*, under the *Technical Standards and Safety Act, 2000* (Ontario)?
- i) Have accommodations been made for people with disabilities in accordance with the Accessibility Standards for Customer Service and the Integrated Accessibility Standards in accordance with the *Accessibility for Ontarians with Disabilities Act, 2005*?

2. Property Leased by the Charity

- a) Does the lease include personal guarantees or indemnities?
- b) Has access to adequate parking been ensured?
- c) Has the extent of tenant expenses under a net lease arrangement been limited?
- d) Has the possible right to sublet and assign the lease, with a release, been ensured?
- e) Have the issues of environmental liability for both the landlord and tenant been adequately addressed?
- f) Has there been careful monitoring of the date by which an option to renew the lease must be exercised?
- g) Has the amount of rent on renewal been made subject to arbitration?
- h) Has there been an attempt to obtain a covenant from the landlord to prohibit offensive uses of adjoining leased premises?
- i) Does the lease include a clause requiring restoration of leased premises at the end of the lease?
- j) Does the lease include a clause permitting the landlord to unilaterally relocate the tenant?
- k) Has there been an attempt to obtain a right of first refusal to lease adjoining leased premises?
- l) Does the lease need to be registered on title?
- m) Have accommodations been made for people with disabilities in accordance with the Accessibility Standards for Customer Service and the Integrated Accessibility Standards in accordance with the *Accessibility for Ontarians with Disabilities Act, 2005*?

I. INTELLECTUAL PROPERTY ISSUES

- 1. Do the board members and executive staff of the charity recognize that trade-marks, Internet domain names and copyright are an essential asset of an organization that need to be protected and managed?
- 2. Does the charity need to register any of its key names and/or logos as trade-marks?
 - a) Identify trade-marks
 - b) Protect trade-marks by registration
 - c) License and enforce trade-marks
 - d) Use trade-marks in conjunction with appropriate markings of either a TM or an ®, as applicable

- e) Ensure that any third parties using trade-marks enter into a trade-mark licensing agreement
- 3. Has the charity protected its trade-marks by securing multiple corresponding domain names?
- 4. Who owns the copyright for publications of the charity and is it properly identified with a notice of copyright protection, i.e. ©?
 - a) Does the copyright material produced by employees/volunteers need to be registered, assigned, or licensed?
 - b) Has the designer of the organization's website assigned the copyright for the website design?
- 5. Does the charity have a social media, computing and use of technology policy statement that:
 - a) Prohibits employees and volunteers from using the trade-marks, logos, copyrighted material or other intellectual property in any non-work related social networking and blogging activities?
 - b) Prohibits employees and volunteers from using the charity's email address in their personal profiles on social networking sites?

J. EMPLOYMENT AND VOLUNTEER MATTERS

- 1. Are individuals being paid as employees or independent contractors, and if it is as independent contractors, is it in accordance with CRA's requirements?
- 2. Are there written employment contracts with all employees?
- 3. Is there a volunteer agreement and application form to be used with volunteers?
- 4. Has the charity developed and implemented appropriate hiring policies and practices for its employees and volunteers?
 - a) Is there compliance with applicable human rights legislation in the hiring process?
 - b) Has the charity developed and implemented a policy concerning accommodation for employees who are members of a disadvantaged group identified in the *Human Rights Code* (Ontario)?
 - c) Do employees and volunteers, especially those who deal with children, need to be screened, including criminal record checks, and supervised in accordance with an appropriate sexual abuse policy statement?
 - d) For religious charities that require employees and volunteers to sign Lifestyle Statements, have these statements been reviewed to ensure compliance with the *Human Rights Code* (Ontario)?
- 5. Is there a need to develop and adopt policy statements and/or manuals for managing employees as well as volunteers in relation to conduct and performance structure?
 - a) Has the charity developed and implemented a policy concerning sexual harassment?
 - b) Has the charity developed and implemented a policy concerning workplace violence and harassment prevention?

- c) Has the charity developed and implemented a policy concerning social media, computing and the use of technology?
 - d) Is there need for a discipline procedure for employees and/or volunteer members?
 - e) Is the charity aware of and addressing ownership issues regarding intellectual property created by the employees and volunteers, such as assignment of copyright and waiver of moral rights?
 - f) Is the charity aware of and complying with applicable statutory requirements, such as pay equity, employment standards, human rights legislation, privacy legislation and occupational health and safety prerequisites?
6. Is the charity and its board of directors exposed to liability with regards to the actions of its employees or volunteers?
- a) Have the charity and its representatives (i.e. directors, officers and all others who act on behalf of the charity) taken every reasonable precaution to ensure the safety of workers, volunteers and the public?
 - b) Have the charity and its representatives complied with federal and provincial occupational health and safety legislation?
 - c) Have the charity and its representatives established a safety committee or equivalent program or system?
 - d) Have all reasonable steps been taken to ensure that the committee, program or system is effective on an ongoing basis?
7. Is the charity and the board exposed to potential criminal liability under the *Criminal Code*, i.e. Bill C-45 (Westray Mines)?
8. Has the charity undertaken an occupational health and safety audit conducted by an experienced work place safety consultant?
9. Has the charity developed and implemented appropriate policies and practices regarding the termination of employees and complied with appropriate provincial and/or federal legislation?
- a) In relation to wrongful dismissal, is the charity aware that punitive damages may be awarded in a case where the employer's conduct was harsh, vindictive, reprehensible and malicious?
 - b) Does the charity draft termination clauses in its employment contracts to limit its potential liability to the minimum allowable under employment standards legislation?
10. Have the provisions of the *Employment Standards Act* (Ontario) been complied with?
11. For charities that have hired construction services, has the charity obtained a Workplace Safety and Insurance Board ("WSIB") clearance certificate from the contractor or the subcontractor before any construction work begins to ensure registration with the WSIB and good standing with respect to payment of its WSIB premiums?
12. Has the charity implemented policies on effective confidentiality and conflict of interest?

13. Has the charity developed job descriptions for the different employment and volunteer positions?
14. Has the charity properly managed the performance and expectations of older employees to avoid wrongful dismissal or human rights claims of older employees?
15. Does the charity have interns (unpaid individuals being trained for employment), and if so, do they meet any of the exemptions from minimum wage under the Ontario *Employment Standards Act*?

K. FUNDRAISING ACTIVITIES

1. Does the charity comply with the requirements of the CRA Fundraising Guidance?
2. Has the charity complied with fundraising legislation in other provinces, specifically Alberta, Manitoba, Prince Edward Island, Quebec and Saskatchewan?
3. Has provincial fundraising legislation, where applicable, been complied with as well as the guideline on fundraising published by the Office of the Public Guardian and Trustee?
4. Have fundraising programmes been reviewed by legal counsel?
5. Are donors' rights to require accountability respected, particularly rights under the *Charities Accounting Act* (Ontario)?
6. Does the charity have a privacy policy in place in order to protect donors' rights?
7. Are sponsorship arrangements properly documented?
8. Has the charity developed and implemented a gift acceptance policy?
9. Do the charity's fundraising activities comply with the applicable corporate objects or purposes and powers of the charity?
10. Has the charity developed an appropriate standard of conduct for fundraising in accordance with sample fundraising codes established by umbrella organizations, such as the Association of Fundraising Professionals or Imagine Canada?
11. Has the fundraising venue met proper health and safety standards where applicable?
12. If the fundraising event involves catered food, has the caterer assumed the responsibility of safe food preparation?
13. If the fundraising event involves non-catered food, are the employees and volunteers knowledgeable about the potential for food spoilage and contamination? Are any permits or licences required to provide food service?
14. If the fundraising event involves service of alcohol, is the duty of care to prevent intoxication and protect intoxicated individuals being met?

15. Does Canada's anti-spam legislation (CASL) apply to the charity? If so, is the charity aware of the prohibition against sending unsolicited "commercial electronic messages" ("CEMs")?
- a) Has the charity implemented a compliance program to demonstrate due diligence regarding CASL, including:
 - Maintaining and reviewing an up-to-date policy.
 - Being able to prove compliance.
 - Continuous monitoring and improvement.
 - b) Is the charity aware of the rules regarding express and implied consent regarding CEMs?
 - c) Barring consent from the receiver, does the charity ensure that the "primary purpose" of its message is to raise funds for the charity?
16. Has the charity developed a privacy policy that protects the personal information of donors?
17. Has the charity taken steps to ensure that the *Competition Act* has been complied with regard to possible misleading fundraising information, or calls to donors as telephone solicitation
18. Is the charity involved in telemarketing, and if so, is it complying with the do not call requirements applicable to charities under s. 41.7 of the *Telecommunications Act*

L. FISCAL MANAGEMENT ISSUES

1. Are all salaries, benefits and statutory deductions being paid by the charity on a timely basis with appropriate reports to the board of directors?
2. Is the charity required to register for GST/HST purposes?
3. Is the charity operating with a deficit and, if so, for how long?
4. How is the deficit being funded?
5. Has a sinking fund been established to retire debt of the charity?
6. Are investments being offered to the public without full disclosure to potential investors?
7. Is there an audit committee in place?
8. Are charitable funds being used to fund separate business operations of the charity?
9. Is a charity that is a private foundation aware of the excess corporate holding regime concerning limitations on the ownership of shares?

M. INVESTMENT ISSUES

1. What investment powers apply to the investment of surplus funds of the charity?

- a) Prudent investor rule under the *Trustee Act* (Ontario) will generally apply
 - b) However, specific investment powers may sometimes apply as contained in
 - Letters patent, supplementary letters patent, articles of incorporation or articles of amendment
 - Incorporating legislation,
 - Endowment and gift agreements, or
 - Testamentary gifts.
2. Does the charity need and/or have an investment policy?
 - a) Documenting compliance with prudent investor rule
 - b) Establishing requirements for delegation of investment decision making
 - c) Prohibiting sub-delegation of investment decision-making
 - d) Proper management of endowed funds
 3. Is the charity aware that the CRA allows both public and private foundations to incur debt for the purpose of acquiring investments?
 4. Does the charity need a disbursement policy in relation to investment proceeds?

N. DONOR RESTRICTED TRUST FUNDS

1. Are there donor restricted trust funds being held by the charity?
 - a) Building funds
 - b) Endowment funds (perpetual)
 - c) “Ten year gifts” as part of “enduring property” that may have been given in the past under the *Income Tax Act* and are still in place even though the tax reason for such gifts was eliminated as part of the 2010 disbursement quota reform
 - d) Special project funds
2. Are restricted funds being used only in accordance with applicable restrictions?
3. Has a breach of trust occurred as a result of restricted funds being used in whole or in part for general operational purposes or are being borrowed against?
4. Are restricted funds segregated from operating funds?
5. If not, is there compliance pursuant to the regulations under the *Charities Accounting Act* (Ontario) to co-mingle restricted funds for investment purposes?

6. Is the board of the charity aware of the consequences of breach of trust for failing to comply with restricted funds?
7. Is the charity investing endowed funds a “total return” basis (realized capital gains being included as part of income) in violation of the terms of the endowed gifts?

O. MAINTAINING CHARITABLE REGISTRATION

1. Does the charity know that all receipts must now include the name and website address (www.cra-arc.gc.ca) of the CRA?
2. Has the charity ensured that its charitable activities are being undertaken in accordance with its charitable objects or purposes?
3. Is the legal name of the charity and/or its operating name consistent with the records of the CRA?
4. Has the charity filed all of its governance documents with the CRA, including supplementary letters patent or articles of incorporation/continuance and by-laws?
5. Does the CRA have the current head office address of the charity?
6. Has the charity obtained Québec charitable status for fundraising in Québec?
7. Does the charity submit its annual information return (Form T3010(13) *Registered Charity Information Return*) within six months of the financial year end of a charity in order to avoid deregistration?
8. Does the board of directors, the charity’s accountant and legal counsel review and approve the annual information return (Form T3010(13) *Registered Charity Information Return*) for the charity before it is filed each year?
9. Is the charity aware of the amendments to the *Income Tax Act* concerning the disbursement quota?
 - The 3.5% disbursement quota now extends to charitable organizations.
 - Expanded anti-avoidance provisions concerning receipting
10. Is the charity aware of the intermediate sanctions and penalties for minor and unintended infractions?
11. Is the charity aware of the new the CRA Fundraising by Registered Charities Guidance and the need to track its fundraising ratio each year?
12. Is the charity involved in political activities within the CRA requirements as expanded by the 2012 Federal Budget?
13. Is the charity involved in related business activities within the CRA Guidance?
14. Are charitable funds being used to fund separate business operations of the charitable organization?

15. Is the charity aware of the applicable rules concerning the issuance of donation receipts?
16. Is the charity aware of the new rules on split receipting and anti-tax shelter provisions?
17. Are agency, joint venture relationships or contractual transfer arrangements with non-qualified donees both inside and outside of Canada properly documented and implemented?
18. Are the charity's books and records maintained in accordance with the requirements of the *Income Tax Act* (Canada)?
19. Is the charity aware of the need to avoid participating in donation tax shelter schemes?
20. Is the charity prepared for an audit by the CRA?
21. Is a member of the board of directors, a trustee, officer or equivalent official, or any individual who otherwise controls or manages the operation of the charity an "ineligible individual" under the *Income Tax Act* (Canada)?

P. NATIONAL AND/OR INTERNATIONAL RELATIONSHIPS

1. Are relationships with national organizations and/or subsidiary chapters adequately documented with specific reference to controlling trade-marks in Canada?
2. Are relationships between national and international organizations adequately documented in order to effect an international operation?
3. Is the charity in compliance with the new the CRA Guidance for Canadian Registered Charities Carrying Out Activities Outside Canada?
4. Is there a need for an international umbrella organization?
5. Has the ownership of trade-marks and/or copyrights been determined and documented?
6. Have trade-marks and copyrights been adequately protected and licensed in Canada and in other countries as necessary?

Q. ANTI-TERRORISM/MONEY LAUNDERING LEGISLATION/FOREIGN CORRUPTION ISSUES

1. Does the charity carry on operations that may require it to be in compliance with anti-terrorism/money laundering legislation?
 - a) International operations
 - b) Domestic operations
2. Has the charity undertaken appropriate due diligence procedures in complying with anti-terrorism legislation?

- a) Development of an anti-terrorism/money laundering policy statement
 - b) Development of resource materials on anti-terrorism/money laundering legislation
 - c) Requiring disclosure statements for board members and staff
 - d) Evaluating all charitable programs for compliance
 - e) Requiring disclosure statements from affiliated charities, third party agents and/or partners and conducting appropriate inquiries
 - f) Determining when to make inquiries of donors
 - g) Conducting due diligence internet searches on directors, officers and agents
3. Are directors aware of risks associated with failing to comply with anti-terrorism/money laundering legislation?
- a) Loss of charitable status
 - b) Personal liability in civil law
 - c) Possible criminal law sanctions
4. If the charity is working in the U.S. or in conjunction with U.S. charities in conflict zones, is it aware of the impact of the *Patriot Act* (United States) and other international anti-terrorism legislation on its programs and operations?
- a) Does the charity investigate significant ownership interest in any organizations it works with domestically and abroad?
 - b) Does the charity conduct due diligence for any subcontractors it hires for work domestically and abroad?
5. Does the charity comply with anti-bribery prohibitions under the *Corruption of Foreign Public Officials Act, 1998* (Canada), as amended in June 2013?
- a) Is the charity caught by the broader definition of “business” that no longer requires a “for profit” element?
 - b) Is the charity aware that the “facilitation payment” exemption is being repealed?
6. If the charity is making payments through the U.S. banking system or selling goods of U.S. origin or with U.S. content, is it aware of the impact of the *Foreign Corrupt Practices Act* (United States) on charities with U.S. affiliations?

R. CRISIS MANAGEMENT ISSUES

1. Does the charity have an existing committee or group that can develop a crisis management plan? If so, is the group diverse enough to consider the full range of crises that the charity might face?
2. Is the charity overly dependent on another organization? Could the relationship between the organizations be terminated with little or no warning?

3. Does the charity have contingency plans in the event of the following circumstances?
 - a) Death or injury of a key individual
 - b) Loss of access to the use of facilities and equipment
 - c) Disrupted or significantly diminished operations
 - d) Loss of crucial information
 - e) Intense media scrutiny
 - f) Irreparable damage to a charity's reputation

4. Can some of the liability risk associated with a possible crisis be covered by specialized insurance?