
**THE 2010 ANNUAL
CHURCH & CHARITY LAW™ SEMINAR**

Toronto – November 18, 2010

**Maintaining Proper Books and Records:
What You Need to Know**

**By Teresa Douma, LL.B. - Senior Director, Legal Affairs
Canadian Council of Christian Charities - Elmira**

CARTERS

Carters Professional Corporation / Société professionnelle Carters
Barristers · Solicitors · Trade-mark Agents / Avocats et agents de marques de commerce
www.carters.ca www.charitylaw.ca www.antiterrorismlaw.ca


Ottawa · Toronto
Mississauga · Orangeville
Toll Free: 1-877-942-0001



Maintaining Proper Books and Records

Church & Charity Law Seminar,
Thursday,
November 18, 2010

Presented by Teresa Douma, LL.B.,
CCCC's Senior Director,
Legal Affairs



©2010 Canadian Council of Christian Charities

What We're Covering Today

- Why good record keeping is important.
- What records should a charity keep.
- How long should records be kept.
- Where and how to keep records.
- Practical considerations for developing a policy and implementing a record retention system.

3 ©2010 Canadian Council of Christian Charities

Why Good Record Keeping is Important

- Helps your organization operate efficiently.
- Makes your external accounting audit go smoothly.
- Assists with good oversight and governance.
- Helps with good donor and public relations, and ability to respond to inquiries.

4

©2010 Canadian Council of Christian Charities

Why Good Record Keeping is Important

- Legal defence reasons.
- Privacy legislation principles.
 - Limiting retention of records.
 - Keep the records for as long as required, but not longer.
 - Security of information.
- Meet requirements of various pieces of legislation. For example:
 - Income Tax Act, Excise Tax Act, Canada Pension Plan, Employment Insurance Act.

5

©2010 Canadian Council of Christian Charities

Why Good Record Keeping is Important

- The Income Tax Act (ITA) provides CRA with penalties it can impose on charities if they do not keep appropriate records:
 - One year suspension of receipting privileges; and
 - Possible revocation of charitable status.
- The ITA gives Canada Revenue Agency (CRA) authority to specify what books and records shall be kept if they find appropriate records not kept.
- Good records provide important, accessible documentation if you are audited by CRA.

6

©2010 Canadian Council of Christian Charities

What Records should be Kept?

ITA 230 (2) Every registered charity ... shall keep records and books of account at an address in Canada recorded with the Minister ... containing
(a) information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act;

What Records should be Kept?

(b) a duplicate of each receipt containing prescribed information for a donation received by it; and
(c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act.

What Records should be Kept?

- CRA administers this by requiring that a charity keep *adequate* books and records, in English or French, to allow CRA to verify:
 - a charity's revenues (including donations);
 - that a charity's resources are spent on charitable programs; and
 - that the charity's purposes and activities continue to be charitable.

CRA Defines Books and Records as Including:

governing documents	investment agreements
by-laws and amendments	expense accounts
financial statements	ledgers, bank statements
board/staff meeting minutes	inventories
contracts, written agreements	accountant's working papers, & source documents
annual reports	payroll records
copies of official donation receipts & T3010s	promotional & fundraising materials

10 ©2010 Canadian Council of Christian Charities

Source Documents Include:

Sales and purchase invoices	Donation count sheets
Bank deposit slips	Work and purchase orders
Cash register receipts	Cheques
Formal contracts	Bank statements
Credit card receipts	General correspondence (written or in any other form)
Year-end working papers	Journal vouchers

11 ©2010 Canadian Council of Christian Charities

How Long Should Records be Kept?

- The General ITA (and CRA) rule is to keep books and records, and supporting documents, for six years after year end. For example, this applies to:
 - Financial statements,
 - Source documents,
 - T3010 forms.
- However, the retention period varies depending on the type of record.

How Long Should Records be Kept?

- Keep the following for six years while the charity is registered or for two years after the day that the charity's registration is revoked:
 - General ledger or books of final entry containing summaries of year-to-year transactions.
 - Special contracts or agreements necessary to understanding general ledger.

13 ©2010 Canadian Council of Christian Charities

How Long Should Records be Kept?

- Keep the following for two years after the day that the registered charity's status is revoked (i.e. Permanently).
 - Minutes of a charity's membership meetings and executive or governing board meetings.
 - All documents and by-laws governing a registered charity.
 - Records for 10-year gifts.

14 ©2010 Canadian Council of Christian Charities

How Long Should Records be Kept?

- Keep the following for two years from the end of the last calendar year:
 - Duplicate receipts for donations, other than 10-year gifts, and related church offering envelopes.
- While you are subject to a CRA audit, or where you have filed a notice of objection with CRA, or are a party to an appeal to the Tax Court of Canada:
 - Keep records until the audit file is closed and the related appeal period has expired, or until the appeal is disposed of or the objection is settled.

15 ©2010 Canadian Council of Christian Charities

How Long Should Records be Kept?

- Need to give thoughtful consideration as to whether records may be required permanently for non-ITA purposes.
- Other records to keep permanently might include HR policies and procedures, personnel and volunteer files, real property title documents, committee minutes, membership records, corporate filings, trademark/copyright/patent registrations, business name registrations, extra-provincial registrations, and insurance policies.

16 ©2010 Canadian Council of Christian Charities

Location of Records

- The ITA requires that records be kept at the address in Canada recorded with the Minister, or another place designated by the Minister.
- CRA does not consider books and records maintained outside of Canada, but accessible electronically in Canada, as meeting the ITA requirement.

17 ©2010 Canadian Council of Christian Charities

Accessibility of Records

- Must keep books and records (including electronic records) in a way that safeguards them and ensures the reliability and readability of the information recorded.
- Records must be made available to CRA for audit purposes at all reasonable times.
- Prudent to keep back up copies in a safe place in the event of, for example: a fire, flood, a computer crash, or a past treasurer who refuses to pass over records.

18 ©2010 Canadian Council of Christian Charities

Third Parties

- Contracting out record keeping does not relieve you of the responsibility to keep appropriate books and records.
- Third parties could include bookkeepers, accountants, Internet transaction managers, and application service providers.
- Consider checking references, and addressing ownership, retention, back-up, privacy and other safeguards in the terms of the contract.
- Consider checking compliance with terms periodically with inspection of policies, procedures, facilities etc.

Electronic Records

- Is any information recorded in an electronically readable form and subject to the same rules as paper records.
- Records (including back-ups) must be in a format accessible and useable by CRA.
- Records must have an audit trail, meaning they must relate back to the supporting source documents.
- The pending publication *Electronic Records as Documentary Evidence CAN/CGSB-72.34 2005* will outline electronic record management policies, procedures, practices and documentation.

Electronic Imaging

- Means generating a readable reproduction of the original paper source document.
- Can replace the original paper as a source document if standards met.
- The standards are outlined in the publication "*Microfilm and Electronic Images as Documentary Evidence*" (CAN/CGSB-72.11-93).
- CRA's specific electronic record requirements are set out in IC05-1R1 *Electronic Record Keeping*.

International Activities

- Are there exceptions for the books and records requirements if a charity operates outside Canada?
- The same requirements apply.
 - A charity's books and records must contain enough information for CRA to determine if the charity is operating according to the ITA.
 - Books and records may be translated from other languages, but must be kept in one of Canada's official languages.

22 ©2010 Canadian Council of Christian Charities

International Activities

- However, there appears to be some flexibility with source documents.
- CRA (not the ITA) requires charities to get source documents. CRA recognizes that this may not always be possible or practical. If so a charity should be able to explain why it cannot get them, the efforts it took to try and get them, have reports and records from staff/intermediaries to support expenditures, and show when, how, and in what amount funds were transferred.

23 ©2010 Canadian Council of Christian Charities

International Activities

- Records that may be unique to operating outside of Canada could include:
 - Written joint ministry agreements, agency agreements, deeds.
 - Photos of activities.
 - Minutes of joint ministry venture meetings.
 - Advertising or other material that shows the charity's involvement.

24 ©2010 Canadian Council of Christian Charities

International Activities

- For Joint Ministry activities ensure that:
 - Appropriate financial reports flow to the Canadian charity so that consolidation of financial statements can take place.
 - Reporting takes place at regular intervals—quarterly.
 - Financial statements and reports are kept in Canada.

25 ©2010 Canadian Council of Christian Charities

Implementing a Record Retention System

- A good system doesn't just happen, you need to be proactive about it.
- While good record keeping is everyone's job, appoint someone who will take ownership to make it happen.
- Keeping good records takes ongoing commitment.

26 ©2010 Canadian Council of Christian Charities

Implementing a Record Retention System

- Decide which records need to be kept.
- Decide how long you need to keep each type of record and document through a policy.
- Get necessary approvals for policy and train staff/volunteers.
- Decide appropriate storage method:
 - Paper, electronic, microfilm, imaging,
 - Security, access & confidentiality, and
 - Equipment required to access.

27 ©2010 Canadian Council of Christian Charities

Implementing a Record Retention System

- Decide how and when to destroy records.
- Store similar type records and records that can be destroyed in the same year together to facilitate the destruction process.
- Label boxes and other storage media:
 - What is being stored,
 - Fiscal year, and
 - Year documents may be destroyed.

28

©2010 Canadian Council of Christian Charities

Implementing a Record Retention System

- Create an index of the documents stored including:
 - A description of what has been stored,
 - The location,
 - The fiscal year the documents relate to, and
 - The date that the documents may be destroyed or that they must be kept permanently.

29

©2010 Canadian Council of Christian Charities

Implementing a Record Retention System

- Authorization for
 - Transferring of records.
 - Destruction of records.
 - Sample of CCCC Record Management form is available.
- Regularly review and evaluate policy and system.

30

©2010 Canadian Council of Christian Charities

Conclusion

- Keeping good records is not just a good practice, it's essential.
- By understanding the requirements of the law and putting practical procedures in place, you will ensure you have the information available whenever it's needed.

31 ©2010 Canadian Council of Christian Charities

Resources

- CCCC Charities Handbook (2010 edition)
 - Chapter 25 Record Keeping
- CCCC Bulletin Articles
 - “Books and Records for Foreign Activities”, 2010, Issue 1
 - “For the Record, the Importance of Good Record Keeping”, 2005 Issue 2

32 ©2010 Canadian Council of Christian Charities

Resources

- CCCC
 - How Long Should Records be Kept? (Chart)
 - CCCC Record Management Sample Form
- CRA Publications
 - RC 4409(E) Rev. 09 Keeping Records
 - IC-78-10R5 Books and Records Retention/Destruction (June 2010)

33 ©2010 Canadian Council of Christian Charities

Resources

- CRA Publications continued:
- IC05-1R1 Electronic Record Keeping (June 2010)
 - T137 Request for Destruction of Books and Records
 - Registered Charities Newsletter No. 26 (Winter 2006)
 - Guidance: Canadian Charities Carrying Out Activities Outside Canada
 - T4118(E) Auditing Charities

34

©2010 Canadian Council of Christian Charities

Disclaimer

- This handout is intended to provide general information only. No user should act on the basis of any material contained in the presentation or the accompanying handout without first obtaining competent legal or other professional advice.

35

©2010 Canadian Council of Christian Charities
