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ASSOCIATION OF TREASURERS OF RELIGIOUS INSTITUTES (ATRI)  
ANNUAL CONFERENCE

*“Riding the Waves of Change”*

**Halifax – September 25, 2010**

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**Current Issues Under the *Income Tax Act*  
Affecting Religious Institutes**

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**By Karen J. Cooper, LL.B., LL.L., TEP**

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**TOPICS**

- 2010 Budget – New DQ rules
- New T3010B
- CRA Audits

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**A. 2010 BUDGET – NEW DQ RULES**

**1. Background**

- Disbursement quota is prescribed amount that registered charities must disburse each year in order to maintain charitable registration
- Purposes of DQ
  - Curtail fundraising costs
  - Limit administration costs
  - Limit capital accumulation
  - Ensure significant resources devoted to charitable activities
- DQ introduced in 1976
- Rules reformed by 2004 Budget - more complex

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**2. Current 80% DQ and 3.5% DQ**

- A charity must spend each year on charitable activities (including gifts to other charities) what is at least equal to 80% DQ + 3.5% DQ
- Failure to meet DQ is grounds for revocation
- 80% DQ ("charitable expenditure rule")
  - The sum of
    - 80% of gifts received in the immediately preceding year (except gifts of enduring property and gifts received from other charities)

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- 3.5% DQ ("capital accumulation rule")
  - Must expend 3.5% of assets not used directly in charitable activities or administration ("investment assets")
  - Based on the average value of assets in 24 months immediately preceding the taxation year
  - 3.5% DQ does not apply if property is \$25,000 or less

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**3. Reform Efforts**

- CRA Fundraising Guidance released June 11, 2009
  - Regulates fundraising costs and fundraising practices
  - Fundraising ratio: fundraising costs to fundraising revenue in a fiscal year
    - 35% or less - unlikely to generate questions or concerns
    - 35 to 70% - CRA will examine average ratio over recent years to determine if there is trend of high fundraising costs
    - Over 70% - will raise concerns with CRA and will likely result in revocation

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- CBA Concept paper to Finance
  - July 2009
  - Four regulatory objectives pursued by current DQ regime
    - (1) Current gifts disbursement
    - (2) Anti-accumulation
    - (3) Administrative efficiency – via increased transparency
    - (4) Fundraising efficiency – via CRA Fundraising Guidance

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- Objectives (1) + (2) = prevention of undue accumulation of donations, income and capital
- Made recommendations for reform to simplify DQ
- Supported by Imagine Canada, CAGP and other organizations in the charitable sector

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**4. 2010 Budget DQ Rules**

- Changes proposed
  - Repeal of 80% DQ
  - Repeal of 80% DQ related concepts
    - Enduring property (including ten-year gifts)
    - Capital gains pool
    - Specified gifts
  - Increased threshold for 3.5% DQ to \$100,000 for charitable organizations (remained at \$25,000 for foundations)

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- Expanded anti-avoidance provisions

- Where it can reasonably be considered that purpose of a transaction was to delay unduly or avoid application of DQ
- To ensure amounts transferred between non-arm's length charities will be used to satisfy DQ of only one charity

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- A gift received from non-arm's length charity will need to be expended by following year (in addition to its 3.5% DQ)
  - Unless the transferor charity elects that gift will not count toward satisfying its own 3.5% DQ ("designated gift")
  - Otherwise grounds for revocation
  - 110% penalty of fmV of the property exceeds the amount expended

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- CRA will be given discretion to exclude accumulated property from 3.5% DQ

- CRA has discretion to allow charities to accumulate property for a particular purpose, such as a building project
- Currently, property accumulated (and income earned) with CRA approval is deemed to have been spent on charitable activities

- Effective for fiscal years that end on or after March 4, 2010
- Finance will monitor effectiveness of CRA's Fundraising Guidance and take action if needed to ensure its stated objectives are achieved

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**5. CRA's Steps**

- CRA update April 1, 2010
- CRA indicated it will make administrative changes, has released Q&A: <http://www.cra-arc.gc.ca/gncy/bdgt/2010/chrt-eng.html>
- CRA has produced new instructions on how to calculate DQ for fiscal years that end on or after March 4, 2010: [http://www.cra-arc.gc.ca/chrts-gvng/chrts/bdgt2010/t3010\\_nsr-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/bdgt2010/t3010_nsr-eng.html)
- Form T3010B will be revised to reflect new DQ calculation (charities must continue to use existing form with until a new form is released)

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**6. Implications Of New DQ Rules**

- Welcomed change
- Simplicity of DQ calculation
- Ease administrative burden for charities (especially small and rural)
- No need to spend scarce resources allocating expenses between charitable vs administrative expenses for 80% DQ
- Increase of \$100,000 threshold for charitable organizations allows them greater ability to maintain reserves to deal with contingencies

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- What to do with existing endowment funds, long-term gifts and ten-year gifts?
  - Questions
    - Can capital be encroached?
    - Still need to track 10-year period?
    - Still need to track hold period?
  - Need to review all existing gift agreements and trust provisions

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- Whether can encroach will depend on language of agreement
  - Does agreement permit encroachment of capital or expenditure of income only?
  - Does language specifically allow encroachment up to capital gains pool? With capital gains pool repealed, what to do?
  - May need cypres court order to vary terms
    - If terms impractical or impossible
    - E.g. Ontario – section 13 of *Charities Accounting Act*

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- New Gifts
  - No need to struggle with structuring long-term gifts or endowment funds to comply with complex ITA language related to enduring property
  - Flexibility in structuring new gifts – can focus on balancing:
    - Donor desires for long-term financial stability
    - Need for flexibility to meet changing economic conditions

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- Encroachment
  - Ability to encroach capital?
  - Discuss with donor under what circumstances
- Income and capital
  - May be remove reference to income and capital
  - Use total return investment and payout strategy instead
- Length of hold period
  - 10 year is no longer a “magic number”
  - Discuss with donor appropriate length
  - May be “long term” rather than perpetuity

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**B. THE NEW T3010B**

**1. Background**

- The T3010B is the new annual information return for registered charities for fiscal periods ending on or after January 1, 2009
- The new form is a response from Canada Revenue Agency ("CRA") to demand from smaller charities to reduce their filing burdens
- The T3010B also provides accountability to the public and to potential donors, since most of the return is available on the CRA website once it is filed

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- However, for larger charities, there are now increased reporting requirements
- In this regard, the T3010B is also an enforcement tool for CRA, since it allows CRA to see if a charity has been compliant with the requirements of the *Income Tax Act* ("ITA")
- For example, the T3010B will allow the CRA to :
  - Ensure that the charity has met its disbursement quota requirements;
  - Verify if the charity has made any gifts to non-qualified donees; and
  - Determine if the charity maintains an acceptable fundraising ratio

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**2. What To Do Before Filing the T3010B**

- Carefully check the *TF725 Registered Charity Basic Information* sheet
  - Must be included with the T3010B even if no changes have occurred
  - Verify for accuracy, as it reflects what the CRA has on record regarding the charity's mailing address, telephone number, public contact person, the name the charity is known by other than its registered name and primary areas of activity
  - Check to ensure that any changes already requested of CRA appear on the form

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- Be familiar with what information is made available to the public and what is not
  - Unless the religious institute is exempted, everything contained in the T3010B is available to the public and will be posted on the CRA website except for the following:
    - Physical address of the charity
    - Storage address for books and records
    - Name and address of individual who prepared the T3010B

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- Information about external fundraisers
- Information about donors who are not resident in Canada
- Directors/Trustees and Like Officials Worksheet
  - Their home address and telephone number
  - Their date of birth

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- Do not leave it until the last minute!
  - Although CRA will send a reminder to the charity a month before the T3010B must be filed, the T3010B for larger charities can require a significant amount of time to complete
  - The board of directors or like officials (i.e., religious leaders) should also review and approve the T3010B for certification purposes, because the T3010B will become a public document

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- Review T4033B *Completing the Registered Charity Information Return* and T3010B *Registered Charity Information Return* checklist
  - T4033B available online at <http://www.cra-arc.gc.ca/E/pub/tg/t4033b/README.html>
  - T3010B is available online at <http://www.cra-arc.gc.ca/E/pub/tf/t3010b/README.html>
  - It is essential to review T4033B beforehand in order to develop data keeping practices in order to have all the information needed to complete the T3010B
  - Fillable forms are available from commercial providers that reduce copying errors by CRA

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**3. Overview of the T3010B**

- The T3010B consists of two parts
  1. Sections A-F
    - A. Identification (public information)
    - B. Directors/trustees and like officials (Form T1235(09) (partially public information)
    - C. Programs and General Information (public information)
    - D. Financial Information (public information)
    - E. Certification (publicly available, but not online)
    - F. Confidential Data

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**2. Schedules 1-6**

1. Foundations (public information)
2. Activities Outside Canada (public information)
3. Compensation (public information)
4. Confidential Data (private information)
5. Non-Cash Gifts (public information)
6. Detailed Financial Information (public information, including financial statements)

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- Public portions of the T3010B also include the following forms;
  - TF725 *Registered Charity Basic Information Sheet*
  - T1235(09)/RC232-WS or RC232 regarding directors/trustees and like officials;
  - T1236(09) regarding qualified donees; and
  - T2081 regarding excess corporate holdings for private foundations
- Sections A-F, which is the *primary* portion of the T3010B, contains questions that act as triggers to further reporting requirements set out in Schedules 1 to 6

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- 3. Tips For Filling Out The T3010B**
- In general, CRA recommends
    - Except for yes/no questions, if a question does not apply, leave it blank
    - All requested information must be entered on the return itself (except for the Financial Statement, which is to be attached separately)
    - Report all dollar amounts in Canadian funds, and round all amounts to the nearest single dollar
  - What follows is a selective list of tips for completing the T3010B

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- Section A – Identification
  - Question A1 asks if the charity was in a subordinate position to a parent organization
  - A subordinate charity can be defined as:
    - Is an internal division, i.e, an internal branch, section or other division of another charity without its own governing documents; or
    - The charity has its own governing documents, but is at least in some respects subordinate to another organization
  - If question A3 is answered “yes”, charity must then fill out Schedule 1 - Foundations

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- Section B – Directors/Trustees and Like Officials
  - Must use either T1235(09) or RC232-WS (in Ontario) to provide particulars of directors/trustees or like officials, which includes both a public portion and confidential data portion
  - List only members of the governing board, or individuals who either alone or in collaboration with one another have final decision-making authority, including those listed in the charities governing documents
  - Examples: Chair, Vice-Chair, Treasurer, Secretary or Past Chair

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- This does NOT include individuals who are subject to control of the governing body, such as a paid executive director
- Need to include personal information about the director/trustee, including birth date
- Note that while the information marked as “Confidential Data” may not be available to the public, in accordance with Bill C-25 which amended the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, CRA is permitted to share this information with both CSIS and RCMP, as well as foreign governments and agencies

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- As an alternative to T1235(09) *Directors/ Trustees and Like Officials*, registered charities in Ontario which are incorporated under the *Ontario Corporations Act*, may instead file with CRA RC232-WS or RC232, which will be shared with the Ontario Public Guardian and Trustee
  - A charity should submit Form RC232 if it is making changes to the information set out in boxes 700 to 702 on the pre-filled RC232-WS included with T3010B package sent by CRA
  - The charity can also submit Form RC232 if it did not receive or has lost Form RC232-WS

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• Section C – Programs and General Information

- Note that with regard to question C1, in order to keep registered charity status, the charity must still file its T3010B even if it was inactive for the fiscal period
- In question C2, the charity must explain all ongoing and new charitable programs
  - However, the description of the ongoing or new programs must fall within the charitable objects of that charity in accordance with their letters patent

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- Therefore, it is essential to carefully review letters patent and supplementary letters patent of the charity to verify its objects
- If anything has changed, then need to determine if CRA has approved the revised objects
- If the charity has made gifts to qualified donees, question C3 will trigger form T1236(09) *Qualified Donee Worksheet* if answered “yes”
  - In filling out T1236(09), gifts must be broken down into type, such as enduring property, specified gifts, etc.

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- A “qualified donee” includes a registered charity, a registered Canadian amateur athletic association, a registered national arts services organization, housing co-operatives, municipalities, the United Nations and its agencies, universities outside Canada to which the government has made a gift in the last 12 months, or the Government of Canada, a province, or territory
- Note that while no space is provided for cash gifts, this value must be include in the “Total amount of gifts” box

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- Answering yes to Question C4 regarding whether or not the charity carried on activities outside Canada will also trigger Schedule 2 – Activities Outside Canada

- Schedule 2 requires that the charity name the individual organizations that it has an arrangement with for programs outside Canada
- This may be problematic for some charities who do not wish to make publicly available the names of their partners and the location of their programs outside Canada

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- This may be especially true if their partners are operating in a dangerous environment, as this information can be accessed from anywhere in the world
- If the charity does not provide the requisite information, it should provide an explanation to CRA in a covering letter
- Do not answer C4 in the affirmative if all the charity did was provide funds, with no restrictions, to a qualified donee

- If the charity has made use of an external fundraiser, answering C7 in the affirmative will require that Schedule 4 – Confidential Data be filled out

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- Need to provide the name and the “arm’s length” status of the external fundraiser

- If the charity provided compensation to employees, it must answer “yes” to question C9, which will trigger Schedule 3 – Compensation

- Note that compensation is not only “net” compensation, but “gross” including all forms of salaries, wages, commissions, bonuses, fees, taxable and non-taxable benefits
- Do not include compensation for independent contractors

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- Question C10 asks if the charity has received any donations valued at \$10,000 or more from a donor not resident in Canada, and who was not:

- o A Canadian citizen;
- o Employed in Canada;
- o Carrying on a business in Canada;
- o A person having disposed of taxable Canadian property

▪ If answering "yes" to C10, the charity will have to fill out Schedule 4 - Confidential Data as well, which applies to individual governments and organizations

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▪ In order to complete Schedule 4, charities must ensure that they have all the requisite data from non-resident donors

▪ This can be difficult, and will require consent of the donor, who may not want this information to be shared with CSIS, RCMP or foreign governments and agencies as permitted under Bill C-25

- If the charity received non-cash gifts, such as artwork, jewelry, vehicles, or life insurance policies, it must answer "yes" to question C11, which will require the completion of Schedule 5

▪ Note that the value for these needs to include the total dollar value of tax received non-cash gifts

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▪ Independent appraiser should be provided with all necessary information, including that the appraisal is being done for a charity, to determine fair market value for gifts like art or jewelry

- Questions C12 on non-qualifying securities and C13 on loan backs involve complex issues that will require careful consideration, as it would likely be reviewed by CRA on an audit

- Be very cautious with question C14 as the question is a trap, in that it asks if the charity has issued receipts on behalf of another organization

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- Under the ITA, a charity is not permitted to allow another organization to use their registration number
- If a charity must answer “yes” to question C14, they should seek legal advice to consider possibly proceeding with a voluntary disclosure to CRA to avoid an audit and possible revocation

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- Section D – Financial Information
  - In accordance with CRA's desire to lessen the reporting requirements for smaller charities, a smaller charity can complete this section IF:
    - The charity's revenue does not exceed \$100,000;
    - The amount of all assets not used in its charitable programs does not exceed \$25,000; and
    - The charity has not obtained permission to accumulate funds during the fiscal period
    - Disregard option d) – no longer applicable

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- If the charity does not meet all of these criteria, then it must fill out the more extensive Schedule 6 – Detailed Financial Information
- Schedule 6 - Detailed Financial Statements: Selected Tips
  - Lines that relate to the calculation of the 80% DQ – many are no longer applicable or are modified:
    - Line 5640 – n/a
    - Line 4510 should now read: "Total amount received from other registered charities."
    - Line 4520 - n/a
    - Line 4525 – n/a

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- Line 5050 should now read: "Total amount of gifts made to all qualified donees."
- Line 5060 - n/a
- Line 5070 - n/a
- Line 5100 should now read: "Total expenditures (add the amount from line 4950 and the amount from line 5050)."
- Line 5520 - n/a
- In the section "Enduring property and the capital gains pool," lines 5710, 5720, 5730, and 5740 are no longer applicable

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- The fundraising ratio of fundraising expenses to fundraising revenue calculated on an annual basis is calculated based upon the line items from the T3010B
  - Fundraising revenues include amounts reported on T3010B on line 4500 (receipted income) and line 4630 (all other income from fundraising)
  - Fundraising expenditures include amounts reported on line 5020 as fundraising expenses
  - Fundraising ratio is distinct from the 80% DQ, although elements of it overlap in the ratio

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- 3.5% DQ is based on an average fair market value of the those assets averaged over the previous 24 month period
- This is calculated on lines 5900 for the current fiscal year and 5910 for the next fiscal year
- Therefore, it is important that a charity have adequate records of property value for the 2 years preceding the beginning of the fiscal year

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- In addition to completing either Section D – Financial Information or Schedule 6, charities must also provide financial statements as part of their return in order to comply with their filing requirements
  - Should include at a minimum a balance sheet and income statement
  - This must be done even if the charity was not active during the fiscal period
  - Although not required, CRA recommends that charities with incomes over \$250,000 have the financial statements professionally audited, or signed by the treasurer for the charity

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- Section E – Certification - Carefully consider the individual who will sign
  - That person must be a director/trustee or like official who has authority to sign on behalf of the charity
  - This person will be certifying the return “to the best of [his or her] knowledge”
  - Therefore, this individual must ensure that the information provided on the return is complete and accurate
  - The T3010B provides a reminder in Section E that it is a serious offence under the ITA to provide false or deceptive information

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**4. What To Do After Filing The T3010B**

- Check again the T3010B *Registered Charity Information Return* checklist to ensure that all the requisite forms are included in the return
- Have the board or like officials review the T3010B before submitting it, then check it for accuracy and completeness
  - The T3010B information will be used by CRA auditors in the future
- Ensure that no amendments to governing documents are included with the return
  - CRA now requests these to be sent separately

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- Check the T1242 *Registered Charity Information Return Summary*
  - CRA will mail out a copy after the charity has filed the T3010B
  - This will contain CRA's capital gains pool calculation, capital gains reduction calculation, DQ calculations, and certain reported and recalculated financial totals, based on what is provided on the T3010B
  - This information will be posted on CRA website to be viewed by the public
- Subsequent corrections to T3010B can be made by submitting the T1240(05) form

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**5. What are the Consequences of Failing to File the T3010B**

- The T3010B must be filed within 6 months after the end of the charity's fiscal period (fiscal period can only be changed with approval of CRA)
- Failure to do so will likely result in revocation of charitable status, meaning:
  - The charity is no longer exempt from tax;
  - The charity cannot issue any official donation receipts; and
  - The charity may be subject to the revocation tax (equivalent to the full value of its remaining assets)

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- CRA generally gives charities a chance to rectify this non-compliance
  - 5 months after a charity's fiscal year end, CRA will send a reminder e-mail to the charity
  - 7 months after the fiscal year end, CRA will send a T2051A *Notice of Intention to Revoke Charitable Status*
    - The charity must file its T3010B within 30 days from the mailing of the notice
    - Failure to do so will result in revocation of charitable status
    - If the charity believes it has met it's filing requirements, it will have 90 days to file an objection with CRA's Appeals Branch

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- 8 months after the fiscal year end, CRA will attempt to personally contact representatives of the charity to remind them to file their T3010B
- 10 months after the fiscal year end, CRA will send a T2051B *Notice of Revocation of Charity's Registration*
  - Charity must submit T2046 *Tax Return Where Registration of a Charity is Revoked* within 1 year of the date indicated on the notice

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- In order to reregister, the charity will have to:
  - Pay \$500 penalty
  - Complete T2050 re-registration application
  - Submit all missing annual returns
- CRA may not reregister the charity, as CRA will treat a charity with revoked status the same as though they are applying for the first time
  - The charity must meet all *current* requirements, which may be different than when the charity first registered

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**C. SURVIVING A CRA AUDIT**

**1. Background**

- New rules concerning the taxation and administration of charities set out in the March 2004 Federal Budget are now in force:
  - New intermediate sanctions
  - New and more accessible appeals process
    - CRA's internal appeals process
    - Tax Court of Canada

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- Previously, CRA had only one sanction – revocation
- There were relatively few audits
- Audits were usually reactive, not proactive
- Audits were performed by Consulting and Audit Canada, not CRA
- Budget brought increased resources to the Charities Directorate at CRA

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- On April 10, 2007, the Canada Revenue Agency (“CRA”) released a new policy document, “Guidelines for Applying the New Sanctions” (the “Guidelines”)
- The Guidelines set out CRA’s approach to audits and the application of the new intermediate sanctions resulting from the above amendments to the *Income Tax Act* (the “ITA”)
- The Guidelines can be accessed on the CRA’s website at the following link: <http://www.cra-arc.gc.ca/tax/charities/policy/newsanctions-e.html>

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- CRA’s general approach for audit program:
  - Education
  - Compliance agreements
  - Sanctions
  - Revocation of charity’s registration
- Substantial changes have been made during the last 6 years to the legislation governing the regulation of registered charities
- With its increased resources, CRA is more likely to conduct audits of registered charities

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**2. Audit/Appeals Process**

- a) Organization is identified for audit
  - Random selection
  - Legislative criteria/concerns
  - Follow-up on non-compliance or complaints
  - Audit of related organization
- b) Office Audit - File is screened by Charities Directorate (entails a review of information on file with CRA and internet) and, if necessary, referred for a field audit

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- c) Field Audit
  - On location
  - Single or a team
  - Examination of books and records relating to bank accounts, investments, expenses, contracts, annual reports, board minutes, and any other documents related to the charity's activities
  - Not only an examination of financial affairs, also an examination to determine compliance with legal obligations under the ITA and if operating for charitable purposes

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- d) Audit Report is prepared
  - CRA's auditors, sometimes in conjunction with the Charities Directorate staff, determine whether to encourage a charity's compliance by way of education or through a compliance agreement
  - Generally, preliminary findings will be communicated in advance to the charity
  - The audit report is a key document for the organization to obtain because it details the audit findings and the legal basis of any assessment of sanctions

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e) Letter to charity advising of results

- Education – minor non-compliance
  - i.e. An education letter specifically addressed to a charity explaining its obligations under the ITA
- Compliance Agreement (formerly undertaking letter)
  - Corrective action required: agreement outlines non-compliance and remedial actions that the charity must undertake and includes a paragraph that advises the charity that a penalty and/or suspension could apply if the agreement is not upheld

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- Formal document that is negotiated, signed and dated by both parties, includes a timeframe to make changes outlined in the agreement
- The compliance agreement needs to be approved by the board of the charity and it is an extremely important document
- If a charity does not fulfilled its obligations as set out in an education letter or under a compliance agreement or if the audit findings are sufficiently serious, CRA may proceed in applying the relevant sanction

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f) Follow-up

- CRA may bring file forward for automatic review to ensure compliance with the agreement
- May be by office or field audit
- If compliant, file likely closed
- If non-compliant, maybe application of intermediate sanctions

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g) Application of Intermediate Sanctions

- The CRA's General Approach to Sanctions
  - The guidelines state that most cases of non-compliance related to issues which can be sanctioned under the new legislation will be addressed through the use of a compliance agreement
  - In cases of serious non-compliance, the CRA intends to move directly to the imposition of a sanction or revocation

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- The Guidelines identify examples of serious non-compliance
  - Where non-compliance reaches a particular upper limit, e.g., the percentage of funds spent on non-charitable activities is too high
  - Where non-compliance involves breaches of the *Criminal Code* or other quasi-criminal statutes
  - Where non-compliance involves violations of central provisions of the ITA
  - Where charity is not acting in accordance with the terms of a compliance agreement

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- The Guidelines also indicate a number of examples of "aggravated non-compliance" which would likely lead directly to revocation
  - The charity has a history of serious non-compliance and its current lack of compliance is considered both serious and deliberate
  - The non-compliance is having a negative impact on others, such as beneficiaries and donors, and the charity is either unable or unwilling to reverse that adverse impact
  - The charity is either unable or unwilling to bring itself into compliance

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- The Guidelines provide two further examples of action or inaction on the part of charities that will probably result in the revocation of charitable status
  - Where, after a maximum of one reminder, a charity fails to file its annual return
  - Where there is no appropriate sanction for a serious breach, e.g., engaging in non-charitable activities

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Offence	CRA Discretion (As Per the Guidelines)	First Infraction	Repeated Infraction (Within 5 years)
<ul style="list-style-type: none"> <li>• Late filing or failure to file T3010A</li> <li>• Issuing incomplete receipts</li> <li>• Carrying on prohibited business activity                             <ul style="list-style-type: none"> <li>• Private foundation - any business</li> <li>• Public foundation or charitable organization - unrelated business</li> </ul> </li> <li>• Foundation acquiring control of corporation</li> </ul>	<ul style="list-style-type: none"> <li>• CRA will send a "reminder to file" notice to charities one month before filing deadline</li> <li>• Compliance agreement (unless serious infraction)</li> <li>• Compliance agreement</li> <li>• Provide opportunity to cease carrying on prohibited business activity</li> <li>• Compliance agreement (unless serious infraction)</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to revocation</li> <li>• \$500 penalty on re-registration</li> <li>• Penalty of 5% of eligible amount stated on receipt</li> <li>• Penalty of 5% on gross revenue from the offending activity</li> <li>• 5% penalty on dividends paid by corporation</li> </ul>	<ul style="list-style-type: none"> <li>• May lead to revocation</li> <li>• \$500 penalty on re-registration</li> <li>• Penalty of 10% of eligible amount stated on receipt</li> <li>• Penalty of 100% on gross revenue from the offending activity and suspension of receipt privileges for one year</li> <li>• 100% penalty on dividends paid by corporation</li> </ul>

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Offence	CRA Discretion (As Per the Guidelines)	First Infraction	Repeated Infraction (Within 5 years)
<ul style="list-style-type: none"> <li>• Failure to comply with certain verification and enforcement requirements (e.g. keeping proper books and records)</li> <li>• Issuing receipts in taxation year if there is no gift or if receipt contains false information</li> </ul>	<ul style="list-style-type: none"> <li>• Generally, compliance agreement</li> <li>• Sanctions or even revocation for more serious infractions</li> <li>• CRA likely to proceed directly to revocation</li> </ul>	<ul style="list-style-type: none"> <li>• Suspension of tax receiving privileges for one year</li> <li>• 125% penalty on eligible amount of receipts (suspension of tax receiving privilege of total penalties under 188.1(9) exceeds \$25,000 in a taxation year)</li> <li>• If also subject to penalty under s. 163.2 of ITA, the person is subject to whatever penalty is larger</li> </ul>	<ul style="list-style-type: none"> <li>• Suspension of tax receiving privileges for one year</li> <li>• 125% penalty on eligible amount of receipts (suspension of tax receiving privilege of total penalties under 188.1(9) exceeds \$25,000 in a taxation year)</li> <li>• If also subject to penalty under s. 163.2 of ITA, the person is subject to whatever penalty is larger</li> </ul>

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Offence	CRA Discretion (As Per the Guidelines)	First Infraction	Repeated Infraction (Within 5 years)
• Inter-charity gifting to delay disbursement quota	• CRA will proceed directly to penalty	• Penalty of 100% of amount transferred • Both charities subject to the penalty (CRA has the discretion to split penalty between charities)	• Penalty of 100% of amount transferred • Both charities subject to the penalty (CRA has the discretion to split penalty between charities)
• Gifts to non-qualified donee	• Compliance agreement (unless serious infraction)	• Penalty is 105% of the amount gifted to non-qualified donee	• Penalty is 110% of the amount gifted to non-qualified donee
• Undue personal benefit	• Compliance agreement (unless serious infraction)	• Penalty of 105% of benefit	• Penalty of 110% of benefit and suspension of tax receipt privileges for one year
• Failure to divest of excess business holdings (private foundations only)		• Penalty of 5% of value of excess holdings (doubled if failure to disclose information)	• Penalty of 10% of value of excess holdings (doubled if failure to disclose information)

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- If a sanction is being contemplated, the Charities Directorate will inform the charity in writing and the charity will then have 30 days in which to respond to explain why it should not be subject to the proposed sanction
  - The Charities Directorate will then decide whether to impose a sanction and notify the charity accordingly
  - The charity can make payment to CRA or an eligible donee (another arm's length charity) and return sign off form to CRA once payment has been made
  - Or the charity can appeal (see below)
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- h) Revocation
- Revocation is always available as a option for CRA for any offence at any time and can be applied with intermediate sanctions or separately
  - The charitable status of a charity may also be revoked if it obtained its charitable registration on the basis of false, misleading or omitted information
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i) Internal Appeal

- An Internal Appeal process is now available for both sanctions and revocation
- Must file a Notice of Objection with the Assistant Commissioner of CRA's Appeals Branch within 90 days of the date of the decision's mailing
- Notice of Objection should identify the decision objected to, the reasons for the objection and all relevant facts
- Reviewed by an officer in the Charities Redress Section of the Appeals Branch of CRA, separate from the Charities Directorate

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- Following the review and with the delegated authority of the Minister, Managers at the Tax & Charities Appeals Directorate may maintain, vary or disagree with the original decision
- Notice of objection is required before an appeal may be brought to the Courts

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j) Appeal to Court

- Suspensions and Stays
  - If a suspension is invoked, the charity may apply to the Tax Court of Canada to postpone the application of the suspension
  - In situations of "aggravated non-compliance" resulting in a direct move toward revocation, a charity has 30 days in which to file a stay with the Federal Court of Appeal

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- Appeals
  - Tax Court: appeals of intermediate sanctions
    - A charity must appeal CRA's decision to impose a sanction within 90 days of notification of the decision being made
  - Federal Court of Appeal: application for judicial review of refusals to register, revocation, annulment, and charitable designation
    - A charity must appeal the CRA's decision on an objection within 30 days of notification of the decision being made

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k) Payment of Penalty

- Where a penalty is greater than \$1000 the charity may pay the amount to a charity which is an eligible donee, rather than paying it to the Receiver General.
- Eligible donees are essentially arm's length charities which are not under any intermediate sanction by CRA
- Arm's length – more than 50% of directors deal at arms length with all directors of the sanctioned charity

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l) Annulment

- Where registration obtained in error or if charity ceases to be a charity because of changes in the law
  - No effect on issued receipts
  - No 100% Part V revocation tax or other penalty will be charged
- Useful tool – permits errors to be rectified without negative public notice which goes with notice of revocation

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**3. Practical Considerations in Preparing for an Audit**

a) General Approach

- Perfection is not expected or required
- But need to exercise due diligence
- Therefore need to be prepared in advance of the audit

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b) Knowledge

- Attend seminars and other educational opportunities
- Registered Charities Newsletters
- [www.charitylaw.ca](http://www.charitylaw.ca)
- <http://www.cra-arc.gc.ca/tax/>

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- Charities and non-profits need to know and understand their obligations with respect to the likely audit issues before being able to ensure compliance
- Ignorance will not be a defence
- Document uncertainty and steps taken to seek clarification

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c) Books and Records

- Charities will be required to produce the following:
  - Copies of T3010s, as filed with attachments
  - Financial statements
  - Books and records (general ledger, cash receipt/disbursement journals, working papers)
  - Listing of bank accounts with all statements, cancelled cheques and deposit books

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- Listing of all cash donation receipts including the receipt number, name of donor, and amount reconciled to the financial statements and bank deposits
- Listing of all gift-in-kind donation receipts including the receipt number, name of donor, description, FMV of property, eligible amount. For gifts which were appraised (over \$1,000), name and address of appraiser, who/how appraiser was selected, and what information was compiled before accepting the appraised value

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- Duplicates of all receipts
- Reconciliation and breakdown of expenditure reported (line 120/5000 of T3010)
- All expense source documentation (contacts, invoices, receipts, statements, cancelled cheques)
- Note: instructions to auditors require that the source documentation must be in the name of the organization for the expense to be allowed, particularly if meeting & accommodation, meals or entertainment
- Details of the charity's activities supported by copies of brochures, pamphlets, publications, membership and fundraising correspondence, newsletters, etc.

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- Governing documents, i.e. Constitution, Letters Patent and Supplementary Letters Patent, By-Laws
  - Official updated Minute Book
  - Listing of Directors/Trustees, their positions, occupations, relationship to others, details of any remuneration or other compensation received (including reimbursement of expenses)
  - Payroll documentation (T4s)
  - Agency/consulting agreements
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- Depending upon the activities of the Charity or areas of concern:
    - Copies of agreements related to the transfer of funds outside Canada
    - Documents supporting fundraising expenses, eg. fund development plans, compensation to in-house and external fundraisers, campaign material, etc.
    - Timesheets or other documentation related to the allocation of staff time on such as political activities, related business, fundraising, etc.
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- d) Audit Day
- The auditor is not your friend (or enemy)
  - ITA 231.1 requires "all reasonable assistance"
  - Disclose only required information
  - Be responsive
  - Make auditor comfortable
  - Consider requesting written questions
  - Document/demonstrate efforts to comply
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e) Other strategies

- Ensure that board approval is obtained for changes to programs and consider obtaining CRA approval
- Review corporate objects regularly and provide CRA with changes to governing documents
- Review and comply with document retention requirements
- Consider obtaining board approval of returns

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- Avoid excessive salaries, fundraising contractors and fees (document due diligence and comparisons)
- Grants to foreign charities – ensure appropriate agency agreements are in place
- Protect privileged documents (communications related to obtaining legal advice, does not include accountants or consultants)

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- Organizations must be aware that their responsibilities with the CRA do not start and end with their tax receipts and charitable filings
- For example, organizations have a responsibility to maintain a payroll account and report taxable benefits where applicable
- GST is also a responsibility of organizations – some organizations depending on the types of supplies they make and their size (based on gross revenue) need to register for GST

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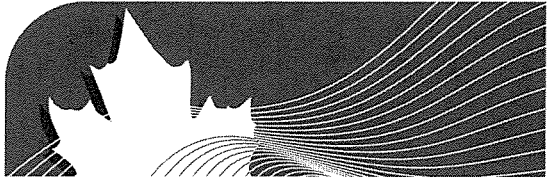
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# Read This Important Information

## BUDGET 2010

### Changes to what you must report on Form T3010B, *Registered Charity Information Return*

On March 4, 2010, the Minister of Finance presented the 2010 Federal Budget, which proposed a number of measures affecting registered charities. The measures included a significant change to the disbursement quota calculation, as well as changes to several connected concepts, such as “specified gifts” and “enduring property.” These changes affect how you fill out Form T3010B, *Registered Charity Information Return*, which you must file on behalf of your charity every year.

Additionally, Form T1242, *Registered Charity Information Return Summary*, that we send you on receipt of the T3010B, will be changed, and Form T1259, *Capital Gains and Disbursement Quota Worksheet*, is no longer applicable.

For more information on these changes, go to [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities) or call us at 1-800-267-2384.

For charities with a **fiscal period ending on or after March 4, 2010, ONLY**, note the changes to the following lines of Form T3010B.

#### When deciding whether to complete Section D: Financial information:

- In the first message box, disregard option “d) The charity has spent or transferred enduring property during this fiscal period.” This option relates to the concept of enduring property, which is no longer applicable.

#### If you are completing Section D: Financial information:

- Section D3, Revenue:
  - Line 4500 should now read: “If yes, what is the total eligible amount of all donations for which the charity issued tax receipts.”
  - Line 4510 should now read: “Total amount received from other charities.”
- Section D4, Expenditures:
  - Line 5050 should now read: “Total amount of gifts made to all qualified donees.”
  - Line 5070 is no longer applicable – Do not enter an amount on this line.
  - Line 5100 should now read: “Total expenditures (Add the amount from line 4950 and the amount from line 5050).”

**If you are completing Schedule 6: Detailed Financial Information:**

- Line 5640 is no longer applicable – Do not enter an amount on this line.
- Line 4510 should now read: “Total amount received from other registered charities.”
- Line 4520 is no longer applicable – Do not enter an amount on this line.
- Line 4525 is no longer applicable – Do not enter an amount on this line.
- Line 5050 should now read: “Total amount of gifts made to all qualified donees.”
- Line 5060 is no longer applicable – Do not enter an amount on this line.
- Line 5070, is no longer applicable – Do not enter an amount on this line.
- Line 5100 should now read: “Total expenditures (add the amount from line 4950 and the amount from line 5050).”
- Line 5520 is no longer applicable – Do not enter an amount on this line.

In the section “Enduring property and the capital gains pool,” lines 5710, 5720, 5730, and 5740 are no longer applicable – Do not enter amounts on these lines.

**If you are completing Form T1236, *Qualified Donees Worksheet / Amounts Provided to Other Organizations*:**

The boxes “Amount of enduring property” and “Amount of specified gifts” are no longer applicable – Do not enter amounts in these boxes.



[About the CRA](#) > [Federal Government Budgets](#) > [2010](#)

## Charities: Disbursement quota reform

1. [Did the 2010 federal budget affect registered charities?](#)
2. [What did the disbursement quota require?](#)
3. [What is meant by "repeal the charitable expenditure rule"?](#)
4. [What concepts are repealed due to the repeal of the charitable expenditure rule?](#)
5. [Why did the federal government decide to repeal the charitable expenditure rule?](#)
6. [How is the capital accumulation rule modified?](#)
7. [How do these changes reduce the administrative burden on charities?](#)
8. [What is the existing anti-avoidance rule for registered charities?](#)
9. [How was the existing anti-avoidance rule strengthened?](#)
10. [Does the budget propose any further anti-avoidance rules?](#)
11. [What are the immediate implications for a charity's filing obligation?](#)
12. [Does this mean that registered charities can spend their money however they want?](#)
13. [Will the disbursement quota be replaced by another measure in the future?](#)
14. [Is a registered charity still allowed to accumulate property for a particular project?](#)
15. [Where can I get more information about the proposed disbursement quota reform?](#)

### 1. Did the 2010 federal budget affect registered charities?

Yes. The budget proposes a disbursement quota change for registered charities. For tax years that end after March 3, 2010, the budget proposes to:

- repeal the charitable expenditure rule (the 80% requirement);
- modify the capital accumulation rule (the 3.5% requirement); and
- strengthen the related anti-avoidance rules for charities.

### 2. What did the disbursement quota require?

The disbursement quota required that the amount a charity spent each year on charitable activities—including gifts to qualified donees—be at least the sum of:

- 80% of the previous year's tax-receipted donations, plus other amounts relating to enduring property and transfers between charities (charitable expenditure rule); and
- 3.5 % of all assets not currently used in charitable activities or administration if these assets exceed a threshold of \$25,000 (capital accumulation rule).

### 3. What is meant by "repeal the charitable expenditure rule"?

This means that the requirement for registered charities to spend 80% of the previous year's tax-receipted donations, plus other amounts relating to enduring property and transfers between charities, no longer exists.

### 4. What concepts are repealed due to the repeal of the charitable expenditure rule?

The concepts repealed include "enduring property," "capital gains reduction," "capital gains pool," and "specified gift."

### 5. Why did the federal government decide to repeal the charitable expenditure rule?

As stated in the budget announcement:

Some have observed that the impact of the charitable expenditure rule can vary considerably, for reasons unrelated to the manner in which a charity conducts its charitable activities... Stakeholders... have called for the elimination of the disbursement quota because it imposes 'an

unduly complex and costly administrative burden on charities—particularly small and rural charities—and it constrains the flexibility of charities, without achieving its core purpose of limiting spending on fundraising and non-charitable activities. [Footnote 1]

## **6. How is the capital accumulation rule modified?**

The capital accumulation rule is modified by:

- increasing the threshold at which it applies from \$25,000 to \$100,000 for charitable organizations (the threshold for private and public foundations remains at \$25,000); and
- amendments to the Income Tax Regulations that will clarify that the calculation of the value of all properties not currently used in charitable activities or administration applies to both private and public foundations and charitable organizations.

## **7. How do these changes reduce the administrative burden on charities?**

The previous rules were complex and difficult to understand. While charities still have to complete a Form T3010, *Registered Charity Information Return*, and ensure that their resources are devoted to charitable activities, the disbursement quota is now easier to calculate. For example, the concepts of capital gains reductions and capital gains pools are eliminated.

## **8. What is the existing anti-avoidance rule for registered charities?**

Currently, the Canada Revenue Agency (CRA) can revoke the registration of a registered charity if the charity has made a gift to another registered charity, and it can be reasonably considered that one of the main purposes of making the gift was to unduly delay the expenditure of amounts on charitable activities.

## **9. How was the existing anti-avoidance rule strengthened?**

The existing anti-avoidance rule was strengthened by extending its application to all transactions, including gifts, and broadening its application to all transactions where **any** purpose, as opposed to a main purpose, is to avoid or unduly delay the expenditure of amounts on charitable activities.

## **10. Does the budget propose any further anti-avoidance rules?**

Yes. A new provision ensures that:

- an amount transferred between non-arm's length charities will be used to satisfy the disbursement quota of the donor charity only; and
- the recipient charity will be required to spend the full amount it received on its own charitable activities, or to transfer the amount to an arm's-length qualified donee in the current or the following tax year. Alternatively, the donor charity can elect to designate the transfer which removes this new requirement.

## **11. What are the immediate implications for a charity's filing obligation?**

Charities are still required to file a complete Form T3010 within six months of their fiscal year-end. The immediate implications for registered charities may vary, depending on their particular fiscal year-end.

- If a charity's fiscal year ended before March 4, 2010, and the charity has already filed its return, the proposed changes will not affect the filed return.
- If a charity's fiscal year ended before March 4, 2010 but the charity has yet to file its return, the proposed changes will not affect the return to be filed.
- If a charity's fiscal year ends after March 3, 2010 (for example: a registered charity with a fiscal year ending on March 31, 2010), the proposed changes apply. Charities must continue to use the current Form T3010B to file their return but must report in accordance with the insert provided in their Form T3010B package. The CRA will continue to release information on the implications of the proposed changes.



**12. Does this mean that registered charities can spend their money however they want?**

No. Registered charities have always had to devote their resources to charitable programs to maintain their charitable registration, and this is still the case. The disbursement quota requirement is just one part of the rule. Recent legislative and administrative initiatives have strengthened the CRA's ability to ensure that charities are spending their money on charitable programs, and have helped charities understand which expenditures are appropriate. For example, the CRA recently published *Fundraising by Registered Charities*, which provides guidance to charities on what are acceptable fundraising expenditures.

**13. Will the disbursement quota be replaced by another measure in the future?**

The budget does not propose another measure. However, the budget did announce that the federal government will monitor the effectiveness of the CRA's guidance on fundraising by registered charities and will act as necessary to ensure the federal government's stated objectives are achieved.

In addition, the CRA will develop further guidance to assist registered charities in understanding and complying with the reformed disbursement quota and other income tax rules concerning expenditures. This development will include consultation with the charitable sector.

**14. Is a registered charity still allowed to accumulate property for a particular project?**

Yes, the CRA will still allow charities to accumulate property for a particular purpose, such as a building project, subject to written approval. Currently, any property accumulated further to such an approval and any income earned in a year for that property is deemed to have been spent on charitable activities in the tax year in which it was accumulated.

For tax years that end after March 3, 2010, the budget proposes to amend this provision to no longer deem the property accumulated, plus any income earned in a year for that property, to have been spent on charitable activities. Instead, the property is excluded from the disbursement quota calculation, subject to written approval.

**15. Where can I get more information about the proposed disbursement quota reform?**

The CRA encourages taxpayers to check its Web pages often. All new forms, policies, and guidelines will be posted as they become available.

In the meantime, please consult the [Department of Finance Canada's Budget 2010 documents](#) for details.

Registered charities with questions about the proposed measures can go to [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities) or call the CRA's Client Services Section at **1-800-267-2384** between 8 a.m. and 8 p.m. Eastern Time, Monday to Friday.

If you are on our [electronic mailing list](#), we will notify you by email when more information is posted on our Web pages.

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**Footnote**

[Footnote 1]

Source: Budget 2010, Leading the Way on Jobs and Growth; Annex 5: Tax Measures: Supplementary Information and Notices of Ways and Means Motions

Date Modified: 2010-05-03





Place bar code label here

# REGISTERED CHARITY INFORMATION RETURN

## Section A: Identification

- Guide T4033B, *Completing the Registered Charity Information Return* is available at [www.cra.gc.ca/E/pub/tg/t4033b/README.html](http://www.cra.gc.ca/E/pub/tg/t4033b/README.html)
- The *Privacy Act* protects all personal information given on this form, which is kept in personal information bank CRA PPU 200. The Canada Revenue Agency (CRA) will make this form and all attachments available to the public on the Charities Directorate Web site, except for information or data identified as confidential. All of the information collected on this form may be shared as permitted by law (e.g. with certain other government departments and agencies).

**Remember:** Even if the charity goes through an inactive period, you must continue to file information returns to maintain your registered status.

If you did not receive a barcode label to affix to the return, please provide the following:

1. Charity's name:

2. Return for fiscal period ending:  

Year	Month	Day

3. BN/registration number:  
 RR

4. Web address (if applicable)

**A1** Was the charity in a subordinate position to a parent organization? ..... **1510**  Yes  No  
**If yes,** please provide the name and BN/registration number of the organization.

Name	BN (if applicable)
------	--------------------

**A2** Has the charity wound-up, dissolved, or terminated operations? ..... **1570**  Yes  No

**A3** All charities are designated as one of the following: a charitable organization, a public foundation, or a private foundation. Is your organization designated as a public foundation or private foundation? ..... **1600**  Yes  No  
 (Refer to the Form TF725 *Registered Charity Basic Information* sheet (BIS) to confirm. This form is included in the return package.)

**If yes,** you must complete and attach Schedule 1, *Foundations*, to your return.

## Section B: Directors/trustees and like officials

**B1** The charity is required to provide certain information for all members of its board of directors/trustees for the complete fiscal period. Only the **public information** section on the worksheet is available to the public. The **confidential data** section is for the CRA's use but may be shared as permitted by law (e.g. with certain other government departments and agencies). Use Form T1235(09), *Directors/Trustees and Like Officials Worksheet*, or include your own sheet with the **same** information. Charities subject to the Ontario *Corporations Act* may complete a blended worksheet. See *Key Terms and Definitions* included with the return package for further information.

## Section C: Programs and general information

**C1** Was the charity active during the fiscal period? If "No" explain why in the "Ongoing programs" space provided at C2 ..... **1800**  Yes  No

**C2** In the space provided, describe all **ongoing** and **new** charitable programs the charity carried on to further its charitable purpose(s) (as defined in its governing documents) this fiscal period. "Programs" includes all of the charitable work the charity carries out on its own through employees or volunteers as well as through qualified donees and intermediaries. The charity may also use this space to describe the contributions of its volunteers in carrying out its programs (e.g. number of volunteers and/or hours). Grant-making charities should describe the types of organizations they support. Please note that "programs" **does not** include fundraising activities. **Do not attach additional sheets of paper or annual reports.**

Ongoing programs:
New programs:



Registered charities may make gifts to qualified donees. Qualified donees are other registered Canadian charities, as well as certain other organizations described in the *Income Tax Act*.

**C3** Did the charity make gifts or transfer funds to qualified donees or other organizations? ..... **2000**  Yes  No  
If **yes**, you must complete and attach Form T1236(09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, to your return.

**C4** Did the charity carry on, fund, or provide any resources through employees, volunteers, agents, joint ventures, contractors, or any other individuals, intermediaries, entities, or means (other than qualified donees) for any activity/program/project outside Canada? ..... **2100**  Yes  No  
If **yes**, you must complete and attach Schedule 2, *Activities Outside Canada*, to your return.

A registered charity may pursue political activities to retain, oppose, or change the law, policy, or decision of any level of government inside or outside Canada provided the activities are non-partisan, related to its charitable purposes, and limited in extent.

**C5** (a) Did the charity carry on any political activities during the fiscal period? ..... **2400**  Yes  No  
(b) Enter the total amount spent by the charity on these activities ..... **5030** \$ \_\_\_\_\_

**C6** If the charity carried on fundraising activities or engaged third parties to carry on fundraising activities on its behalf, check all fundraising methods that it used during the fiscal period.

- |  |  |   |
|--|--|---|
| <b>2500</b> <input type="checkbox"/> Advertisements/print/radio/<br>TV commercials | <b>2570</b> <input type="checkbox"/> Fundraising sales (e.g., cookies)             | <b>2620</b> <input type="checkbox"/> Telephone/TV solicitations     |
| <b>2510</b> <input type="checkbox"/> Auctions                                      | <b>2575</b> <input type="checkbox"/> Internet                                      | <b>2630</b> <input type="checkbox"/> Tournament/sporting events     |
| <b>2530</b> <input type="checkbox"/> Collection plate/boxes                        | <b>2580</b> <input type="checkbox"/> Mail campaigns                                | <b>2640</b> <input type="checkbox"/> <i>Cause-related marketing</i> |
| <b>2540</b> <input type="checkbox"/> Door-to-door solicitation                     | <b>2590</b> <input type="checkbox"/> Planned-giving programs                       | <b>2650</b> <input type="checkbox"/> Other                          |
| <b>2550</b> <input type="checkbox"/> Draws/lotteries                               | <b>2600</b> <input type="checkbox"/> Targeted corporate donations/<br>sponsorships | <b>2660</b> Specify _____   |
| <b>2560</b> <input type="checkbox"/> Fundraising dinners/galas/concerts            | <b>2610</b> <input type="checkbox"/> Targeted contacts                             |   |

**C7** Did the charity pay external fundraisers? ..... **2700**  Yes  No  
If **yes**, you must answer the following questions and complete Question 1 – Information about Fundraisers on Schedule 4 – *Confidential Data*.

(a) Enter the gross revenue collected by the fundraisers on behalf of the charity. .... **5450** \$ \_\_\_\_\_  
(b) Enter the amounts paid to and/or retained by the fundraisers. .... **5460** \$ \_\_\_\_\_  
(c) Identify the method of payment to the fundraiser:

- |  |   |  |
|--|---|--|
| <b>2730</b> <input type="checkbox"/> Commissions | <b>2750</b> <input type="checkbox"/> Finder's fees        | <b>2770</b> <input type="checkbox"/> Honoraria |
| <b>2740</b> <input type="checkbox"/> Bonuses     | <b>2760</b> <input type="checkbox"/> Set fee for services | <b>2780</b> <input type="checkbox"/> Other     |
|  |   | <b>2790</b> Specify: _____                     |

(d) Did the fundraiser issue tax receipts on behalf of the charity? ..... **2800**  Yes  No

**C8** Did the charity compensate any of its directors/trustees or like officials or persons not at arm's length from the charity for services provided during the fiscal period (Other than reimbursement for out-of-pocket expenses)? ..... **3200**  Yes  No

**C9** Did the charity incur any expenses for compensation of employees during the fiscal period? ..... **3400**  Yes  No  
If **yes**, you must complete and attach Schedule 3, *Compensation* to your return.

**C10** Did the charity receive any donations or gifts of any kind valued at \$10,000 or more from any donor that was **not** resident in Canada and was **not** any of the following: ..... **3900**  Yes  No

- A Canadian citizen, nor
- Employed in Canada, nor
- Carrying on a business in Canada, nor
- A person having disposed of taxable Canadian property?

If **yes**, you must complete Question 2 – Information about Donors Not Resident in Canada on Schedule 4 – *Confidential Data* for each donation of \$10,000 or more. See *Key Terms and Definitions* for more information.

**C11** Did the charity receive any non-cash gifts (gifts-in-kind) for which it issued tax receipts? ..... **4000**  Yes  No  
If **yes**, you must complete and attach Schedule 5, *Non-Cash Gifts* to your return.

**C12** Did the charity acquire a non-qualifying security? ..... **5800**  Yes  No

**C13** Did the charity allow a donor to use any of the charity's property during the fiscal period? (except for permissible uses) ..... **5810**  Yes  No

**C14** Did the charity issue any of its tax receipts for donations on behalf of another organization? ..... **5820**  Yes  No

**Section D: Financial information**

If **any** of the following applies to your charity, proceed to Schedule 6, *Detailed Financial Information*, and **do not** complete Section D below. If **none** of the following applies, complete Section D.

- a) The charity's revenue exceeds \$100,000.
- b) The amount of all assets (e.g., investments, rental properties) not used in charitable programs exceeds \$25,000.
- c) The charity currently has permission to accumulate funds during this fiscal period.
- d) The charity has spent or transferred enduring property during this fiscal period.

**See Key Terms and Definitions for a definition of terms used.**

Please show all figures to the nearest single dollar.

**D1** Was the financial information reported below prepared on an accrual or cash basis? ..... **4020**  Accrual  Cash

**D2 Summary of financial position:**

Using the charity's own financial statements, provide the following:

Does the charity own land and/or buildings? ..... **4050**  Yes  No

**Total assets** (including land and buildings) ..... **4200** \$ \_\_\_\_\_

**Total liabilities** ..... **4350** \$ \_\_\_\_\_

Did the charity borrow from, loan to, or invest assets with any non-arm's length parties? ..... **4400**  Yes  No

**D3 Revenue:**

Did the charity issue tax receipts for donations? ..... **4490**  Yes  No

If **yes**, what is the total eligible amount of all donations for which the charity issued tax receipts (except enduring property). .... **4500** \$ \_\_\_\_\_

**Total amount received from other charities** (excluding specified gifts and enduring property). .... **4510** \$ \_\_\_\_\_

What is the total amount for all other donations received for which a tax receipt was **not** issued by the charity? (excluding amounts at lines 4575 and 4630) ..... **4530** \$ \_\_\_\_\_

Did the charity receive any revenue from any level of Canadian government? ..... **4565**  Yes  No

If **yes**, total amount received ..... **4570** \$ \_\_\_\_\_

**Total non tax-receipted amounts from all sources outside Canada** (government and non-government). .... **4575** \$ \_\_\_\_\_

**Total non tax-receipted amounts from fundraising** ..... **4630** \$ \_\_\_\_\_

**Total revenue from sale of goods and services** (except to any level of Canadian government). .... **4640** \$ \_\_\_\_\_

**Other amounts not already included in the amounts above** ..... **4650** \$ \_\_\_\_\_

**Total revenue (Add lines 4500 through 4650)** ..... **4700** \$ \_\_\_\_\_

**D4 Expenditures:**

What was the charity's total expenditure on professional and consulting fees? ..... **4860** \$ \_\_\_\_\_

What was the charity's total expenditure on travel and vehicles? ..... **4810** \$ \_\_\_\_\_

All other expenditures not already included in the amounts above ..... **4920** \$ \_\_\_\_\_

**Total expenditures (excluding gifts to qualified donees) (Add lines 4860+4810+4920)** ..... **4950** \$ \_\_\_\_\_

Of the total amount at line 4950:

a) How much did the charity spend on charitable programs? ..... **5000** \$ \_\_\_\_\_

b) How much did the charity spend on management and administration? ..... **5010** \$ \_\_\_\_\_

**Total amount of gifts (excluding specified gifts) made to all qualified donees** ..... **5050** \$ \_\_\_\_\_

**Total amount of specified gifts made to qualified donees.** ..... **5070** \$ \_\_\_\_\_

**Total expenditures (Add lines 4950 and 5050 + 5070)** ..... **5100** \$ \_\_\_\_\_

**Section E: Certification**

This return **must** be signed by a director/trustee or like official of the registered charity who has authority to sign on behalf of the charity. **It is a serious offence under the *Income Tax Act* to provide false or deceptive information.**

I certify that the information given on this form, the basic information sheet, and any attachment is, to the best of my knowledge, correct, complete, and current.

Name (please print):		Signature:
Position in charity:	Date:	Telephone No.:

**Section F: Confidential data**

**F1** Provide the physical address of the charity and the address in Canada for the charity's books and records. Post office box numbers and rural routes are not sufficient.

	Physical address of the charity	Address for the charity's books and records
Number, street, apt. no., or lot and concession no.		
City		
Province or territory and postal code		

**F2** Name and address of individual who completed this return.

Name:	
Firm name (if applicable):	
Number, street, apt. no., R.R. no., or P.O. box no.:	
City, province or territory, and postal code:	
Telephone number:	Is this the same person who certified in section E? <input type="checkbox"/> Yes <input type="checkbox"/> No

**T3010B Registered Charity Information Return checklist**

- Have you confirmed that all charity information included in the Form TF725, **Registered Charity Basic Information** sheet (BIS) is correct?
  - If any changes are required to any of the information displayed on the BIS, make the changes **directly** on the BIS.
- Have you attached Form TF725, *Registered Charity Basic Information* sheet (BIS)?
- Has the charity made any amendments to its governing documents during the fiscal period?
  - **If yes**, have you sent us an official copy of the amended governing documents in a separate envelope?
- Have you completed Schedule 1, *Foundations*, if required?
- Have you attached Form T1235(09), *Directors/Trustees and Like Officials Worksheet*?
- Have you attached Form T1236(09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, if required?
- Have you completed Schedule 2, *Activities Outside Canada*, if required?
- Have you completed Schedule 3, *Compensation*, if required?
- Have you completed Schedule 4, *Confidential Data*, if required?
- Have you completed Schedule 5, *Non-Cash Gifts*, if required?
- Have you completed Schedule 6, *Detailed Financial Information*, if required?
- Have you attached a copy of the charity's financial statements?

**Foundations**

**Schedule 1**

- 1** Did the foundation acquire control of a corporation in the fiscal period? ..... **100**  Yes  No
- 2** Did the foundation incur any debts at any time during the fiscal period other than for current operating expenses, purchasing or selling investments, or in administering charitable programs? ..... **110**  Yes  No

**For private foundations only:**

- 3** At any time during the fiscal period, did the foundation hold any shares, rights to acquire shares, or debts owing to it that meet the definition of a non-qualified investment? ..... **120**  Yes  No
- 4** Did the foundation own more than 2% of any class of shares of a corporation at any time during this fiscal period? ..... **130**  Yes  No

If **yes**, you must complete and attach *Form T2081, Excess Corporate Holdings Worksheet*, to your return.  
 (Note: Only private foundations will have this worksheet included in their return package.)

**Activities Outside Canada**

**Schedule 2**

*For more information about carrying on programs outside Canada see the Charities Directorate website at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities)*

- 1** What were total expenditures on activities/programs/projects carried on outside Canada during the fiscal period, excluding gifts to qualified donees? ..... **200** \$ \_\_\_\_\_
- 2** Were any of the charity's resources provided for programs outside Canada under any kind of an arrangement including a contract, agency agreement, or joint venture to any other individual or entity (excluding gifts to qualified donees)? ..... **210**  Yes  No

If **yes**, enter the amounts of the total reported on line 200 transferred to these individuals/organizations as required in the following table.

Name of individual/organization	Using the list on the reverse, identify country code where activities were carried on.	Amount (\$) Please show amounts to the nearest single dollar.

- 3** Using the list on the reverse, identify the countries where the charity itself carried on programs or provided any of its resources. Enter the appropriate country codes in the following spaces.


- 4** Are any projects undertaken outside Canada funded by the Canadian International Development Agency (CIDA)? ..... **220**  Yes  No
- If **yes**, what was the total amount of funds expended under this arrangement? ..... **230** \$ \_\_\_\_\_

- 5** Were any programs carried on outside Canada carried out by employees? ..... **240**  Yes  No

- 6** Were any programs carried on outside Canada carried out by volunteers of the charity? ..... **250**  Yes  No

- 7** Is the charity exporting goods as part of its charitable programs? ..... **260**  Yes  No

If **yes**, list the items being exported, their value, their destination (city/region) and country code.

Item	Value	Destination (city/region)	Country code

**COUNTRY CODES**

**Americas-Central and South**

AR-Argentina  
 BO-Bolivia  
 BR-Brazil  
 CL-Chile  
 CO-Columbia  
 CR-Costa Rica  
 CU-Cuba  
 DO-Dominican Republic  
 EC-Ecuador  
 SV-El Salvador  
 GT-Guatemala  
 GY-Guyana  
 HT-Haiti  
 HN-Honduras  
 JM-Jamaica  
 MX-Mexico  
 NI-Nicaragua  
 PA-Panama  
 PE-Peru  
 UY-Uruguay  
 VE-Venezuela  
 QM-Other

**Americas-North**

US-United States of America  
 QN-Other

**Middle East**

IR-Iran  
 IQ-Iraq

IL-Israel  
 PS-Israeli Occupied Territories  
 JO-Jordan  
 KW-Kuwait  
 LB-Lebanon  
 OM-Oman  
 QA-Qatar  
 SA-Saudi Arabia  
 SY-Syrian Arab Republic  
 YE-Yemen  
 QO-Other

**Europe**

AL-Albania  
 AM-Armenia  
 BA-Bosnia and Herzegovina  
 BY-Belarus  
 BG-Bulgaria  
 DK-Denmark  
 ES-Spain  
 FR-France  
 GE-Georgia  
 DE-Germany  
 GB-United Kingdom  
 HR-Croatia  
 IT-Italy  
 CY-Cyprus  
 MK-Macedonia  
 ME-Montenegro  
 NL-Netherlands  
 PL-Poland  
 RO-Romania

RU-Russia  
 RS-Serbia  
 TR-Turkey  
 UA-Ukraine  
 QP-Other

**Asia and Oceania**

AF-Afghanistan  
 AZ-Azerbaijan  
 BD-Bangladesh  
 BT-Bhutan  
 KH-Cambodia  
 CN-China  
 IN-India  
 ID-Indonesia  
 KZ-Kazakhstan  
 KG-Kyrgyzstan  
 LA-Laos  
 LK-Sri Lanka  
 MY-Malaysia  
 MN-Mongolia  
 MM-Myanmar (Burma)  
 KP-North Korea  
 KR-South Korea  
 PK-Pakistan  
 PH-Philippines  
 SG-Singapore  
 TH-Thailand  
 TJ-Tajikistan  
 TL-Timor-Leste  
 UZ-Uzbekistan  
 VN-Vietnam  
 QR-Other

**Africa**

DZ-Algeria  
 AO-Angola  
 BW-Botswana  
 CM-Cameroon  
 CF-Central African Republic  
 TD-Chad  
 CG-Republic of Congo  
 CD-Democratic Republic of Congo  
 EG-Egypt  
 ET-Ethiopia  
 GA-Gabon  
 GM-Gambia  
 GH-Ghana  
 NA-Namibia  
 KE-Kenya  
 LR-Liberia  
 MG-Madagascar  
 NE-Niger  
 NG-Nigeria  
 RW-Rwanda  
 SL-Sierra Leone  
 SO-Somalia  
 SD-Sudan  
 UG-Uganda  
 ZM-Zambia  
 ZW-Zimbabwe  
 QS-Other

**Compensation** **Schedule 3**

**1** (a) Enter the **number** of permanent, full-time, compensated positions in the fiscal period. (This number should represent the number of positions the charity had including both managerial positions and others, and should not include independent contractors.) ..... **300**

(b) For the **ten (10)** highest compensated, permanent, full-time positions enter the **number** falling within each of the following annual compensation categories.

<b>305</b> <input type="text"/> \$1 – \$39,999	<b>310</b> <input type="text"/> \$40,000 – \$79,999	<b>315</b> <input type="text"/> \$80,000 – \$119,999
<b>320</b> <input type="text"/> \$120,000 – \$159,999	<b>325</b> <input type="text"/> \$160,000 – \$199,999	<b>330</b> <input type="text"/> \$200,000 – \$249,999
<b>335</b> <input type="text"/> \$250,000 – \$299,999	<b>340</b> <input type="text"/> \$300,000 – \$349,999	<b>345</b> <input type="text"/> \$350,000 and over

**2** (a) Enter the **number** of part-time or part-year (for example, seasonal) employees the charity employed during the fiscal period ..... **370**

(b) What was the total expenditure on compensation for part-time or part-year employees in the fiscal period? ..... **380** \$

**3** What was the charity's total expenditure on all compensation in the fiscal period? ..... **390** \$



The information in this confidential data schedule is for the CRA's use but may be shared as permitted by law (e.g. with certain other government departments and agencies).

**1. Information about Fundraisers**

Please provide the name(s) and arm's length status of external fundraiser(s).

Name	At arm's length? Yes/No

**2. Information about Donors Not Resident in Canada**

This schedule must be completed to report any donation of \$10,000 or more received from any donor that was **not** resident in Canada and was **not** any of the following:

- A Canadian citizen, nor
- Employed in Canada, nor
- Carrying on business in Canada, nor
- A person having disposed of taxable Canadian property

Provide the name of the donor and the value of the donation in the chart below. You must also indicate whether the donor was an organization (for example a business, corporate entity, charity, non-profit organization), a government or an individual by placing a check mark in the appropriate box.

Name	Amount	Organization	Government	Individual
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Non-Cash Gifts**

**1** Identify all types of non-cash gifts (gifts-in-kind) received for which a tax-receipt was issued:

- |   |  |  |
|---|--|--|
| <p><b>500</b> <input type="checkbox"/> Artwork/wine/jewellery</p> <p><b>505</b> <input type="checkbox"/> Building materials</p> <p><b>510</b> <input type="checkbox"/> Clothing/furniture/food</p> <p><b>515</b> <input type="checkbox"/> Vehicles</p> <p><b>520</b> <input type="checkbox"/> Cultural properties</p> | <p><b>525</b> <input type="checkbox"/> Ecological properties</p> <p><b>530</b> <input type="checkbox"/> Life insurance policies</p> <p><b>535</b> <input type="checkbox"/> Medical equipment/supplies</p> <p><b>540</b> <input type="checkbox"/> Privately-held securities</p> <p><b>545</b> <input type="checkbox"/> Machinery/equipment (including computers and software)</p> | <p><b>550</b> <input type="checkbox"/> Publicly traded securities/mutual funds</p> <p><b>555</b> <input type="checkbox"/> Books (literature, comics)</p> <p><b>560</b> <input type="checkbox"/> Other</p> <p><b>565</b> Specify: _____</p> |
|---|--|--|

**2** Indicate the total eligible amount of tax receipted non-cash gifts ..... **580** \$ \_\_\_\_\_

Was the financial information reported below prepared on an accrual or cash basis?  4020  Accrual  Cash

**Statement of financial position**

Please show figures to the nearest single dollar. See the *Key Terms and Definitions* for a definition of the terms used.

<b>Assets:</b>		<b>Liabilities:</b>	
Cash, bank accounts, and short-term investments. . . . .	4100 \$	Accounts payable and accrued liabilities. . . . .	4300 \$
Amounts receivable from non-arm's length parties. . . . .	4110 \$	Deferred revenue. . . . .	4310 \$
Amounts receivable from all others. . . . .	4120 \$	Amounts owing to non-arm's length parties. . . . .	4320 \$
Investments in non-arm's length parties . . . . .	4130 \$	Other liabilities. . . . .	4330 \$
Long-term investments. . . . .	4140 \$	<b>Total liabilities (add lines 4300 to 4330). . . . .</b>	<b>4350 \$</b>
Inventories. . . . .	4150 \$		
Land and buildings in Canada. . . . .	4155 \$		
Other capital assets in Canada. . . . .	4160 \$		
Capital assets outside Canada. . . . .	4165 \$		
Accumulated amortization of capital assets . . . . .	4166 \$	<b>Amount included in lines 4150, 4155, 4160,</b>	
Other assets. . . . .	4170 \$	<b>4165 and 4170 not used in charitable</b>	<b>4250 \$</b>
<b>Total assets (add lines 4100 to 4170). . . . .</b>	<b>4200 \$</b>	<b>programs. . . . .</b>	

**Statement of operations**

<b>Revenue:</b>	
Total eligible amount of all gifts for which the charity issued tax receipts . . . . .	4500 \$
For all tax-receipted gifts received during the fiscal period please provide:	
Total eligible amount of tax-receipted tuition fees . . . . .	5610 \$
Total eligible amount of tax-receipted enduring property . . . . .	5640 \$
Total amount received from other registered charities (excluding specified gifts and enduring property) . . . . .	4510 \$
Total specified gifts from other registered charities . . . . .	4520 \$
Total enduring property from other registered charities . . . . .	4525 \$
Total other gifts received for which a tax receipt was <b>not</b> issued by the charity. . . . .	4530 \$
Total revenue received from federal government. . . . .	4540 \$
Total revenue received from provincial/territorial governments . . . . .	4550 \$
Total revenue received from municipal/regional governments. . . . .	4560 \$
Total revenue received from all sources outside Canada. . . . .	4575 \$
Total interest and investment income received or earned . . . . .	4580 \$
<b>Gross proceeds</b> from disposition of assets . . . . .	4590 \$
<b>Net proceeds</b> from disposition of assets (show a negative amount with brackets). . . . .	4600 \$
Gross income received from rental of land and/or buildings. . . . .	4610 \$
Non tax-receipted revenues received for memberships, dues, and association fees. . . . .	4620 \$
Total non tax-receipted revenue from fundraising. . . . .	4630 \$
Total revenue from sale of goods and services (except to government) . . . . .	4640 \$
Other revenue not already included in the amounts above . . . . .	4650 \$
Specify type(s) of revenue included in the amount reported at 4650 (e.g., dividends) <b>4655</b>	
<b>Total revenue (add line 4500, 4510 to 4580, and 4600 to 4650). . . . .</b>	<b>4700 \$</b>

<b>Expenditures:</b>	
Advertising and promotion . . . . .	4800 \$
Travel and vehicle expenses . . . . .	4810 \$
Interest and bank charges . . . . .	4820 \$
Licences, memberships, and dues . . . . .	4830 \$
Office supplies and expenses. . . . .	4840 \$
Occupancy costs. . . . .	4850 \$
Professional and consulting fees . . . . .	4860 \$
Education and training for staff and volunteers . . . . .	4870 \$
Total expenditure on all compensation (enter the amount reported at line 390 in Schedule 3 if applicable) . . . . .	4880 \$
Fair market value of all donated good used in charitable programs. . . . .	4890 \$
Total cost of all purchased supplies and assets. . . . .	4891 \$

Amortization of capitalized assets . . . . .	4900	\$
Total expenditure for research grants and scholarships as part of charitable programs . . . . .	4910	\$
Other expenditures not included in the amounts above . . . . .	4920	\$
Specify type(s) of expenditures included in the amount reported at 4920	4930	
<b>Total expenditures before gifts to qualified donees (add lines 4800 to 4920) . . . . .</b>	<b>4950</b>	<b>\$</b>

Lines 5000 to 5030 represent a breakdown of the expenditures on lines 4800 to 4920. The total of lines 5000 to 5030 should equal line 4950.

Total expenditures on charitable programs . . . . .	5000	\$
Total expenditures on management and administration . . . . .	5010	\$
Total expenditures on fundraising . . . . .	5020	\$
Total expenditures on political activities, inside or outside Canada . . . . .	5030	\$
Total other expenditures included in line 4950 . . . . .	5040	\$
Total amount of gifts (excluding enduring property and specified gifts) made to all qualified donees . . . . .	5050	\$
Total amount of enduring property transferred to qualified donees (excluding specified gifts of enduring property) . . . . .	5060	\$
Total amount of specified gifts made to qualified donees (including specified gifts of enduring property) . . . . .	5070	\$
<b>Total expenditures (add amount from line 4950 and the amounts from lines 5050, 5060, and 5070) . . . . .</b>	<b>5100</b>	<b>\$</b>

**Other financial information**

**Permission to accumulate property:** Only registered charities that have written permission to accumulate should complete this question.

• Enter the amount accumulated for the fiscal period, including income earned on accumulated funds . . . . .	5500	\$
• Enter the amount disbursed for the fiscal period for the specified purpose we have permitted. . . . .	5510	\$
• Enter the amount deemed to be a tax-receipted gift for the fiscal period. . . . .	5520	\$

**Enduring property and the capital gains pool**

From the amount reported at line 4950, what is the fair market value of all enduring property spent during the fiscal period? . . . . .	5710	\$
Enter the capital gains from the disposition of enduring property in the fiscal period. Do not enter an amount reflecting a capital loss or a negative amount in this field. . . . .	5720	\$
Is the charity claiming an amount that is less than the maximum capital gains reduction? . . . . .	5730	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>If yes</b> , enter the amount from line 11 of Form T1259, <i>Capital Gains and Disbursement Quota Worksheet</i> . . . . .	5740	\$
If the charity has received approval from the Charities Directorate to make a special reduction to its disbursement quota, enter the amount for the fiscal period . . . . .	5750	\$

**Property not used in charitable activities**

Enter the value of property not used for charitable activities or administration during:		
• The 24 months before the <b>beginning</b> of the fiscal period . . . . .	5900	\$
• The 24 months before the <b>end</b> of the fiscal period. . . . .	5910	\$