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**CANADIAN ASSOCIATION OF GIFT PLANNERS**

**18<sup>TH</sup> Annual National CAGP Conference**

**Toronto – April 14, 2011**

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**Why the T3010 Matters to Gift Planners  
and What You Need to Know**

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**By Theresa L.M. Man, Carters Professional Corporation  
and Mark Climie-Elliott CFRE, Climie-Elliott**

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CANADIAN ASSOCIATION OF GIFT PLANNERS  
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**Why the T3010 Matters to Gift Planners  
and What You Need to Know**

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**OVERVIEW**

- What is the new T3010
- Why is the T3010 relevant to fundraisers?
- Key features of the T3010
- Failure to file the T3010
- What to do before completing the T3010
- Tips for completing the T3010
- What to do after completing the T3010
- Filing the T3010
- What to do after filing the T3010
- Avoid common mistakes

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**A. WHAT IS THE T3010**

- T3010 *Registered Charity Information Return* (includes Schedules 1 to 6)
- T3010 is the annual information return that charities are required to file with CRA within 6 months after year end
- Form T3010A for fiscal periods ending from March 23, 2004, to December 31, 2008
- Form T3010B for fiscal periods ending from January 1, 2009, to March 3, 2010
- Form T3010-1 for fiscal periods ending on or after March 4, 2010

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**B. WHY IS THE T3010 RELEVANT TO FUNDRAISERS**

- Fundraising needs to know what F & A are reporting
- The T3010 is CRA's key information to link your organization's reporting to its Guidance on Fundraising Policy
- You are accountable to your donors to report on fact and not fiction
- Donors have a right to your financial statements
  - Information they are seeking may not be easily translated
- You should have a copy of the T3010-1 for easy reference
  - Share with "key" staff

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- Lots of "accounting" information coming your way in this presentation
- If you have a role in your organization to raise funds
  - You have an equal responsibility to know how your organization reports revenue and expenses to CRA
    - Transparency and accountability builds trust and loyalty

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**C. KEY FEATURES OF T3010**

- T3010-1
  - Revised to take into account of the repeal of 80% disbursement quota introduced by the 2010 Federal Budget
- T3010B
  - Provides accountability to the public and to potential donors
    - Most of the return is available on the CRA website once filed
    - Increased reporting requirements for large charities and for charities engaged in various and complex activities

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- Reduce filing burden for small charities (revenue less than \$100,000) - 4-page core form, with 6 topic-related schedules for use if applicable
- Enforcement tool for CRA - allows CRA to see if a charity has been compliant with the requirements of the *Income Tax Act*, e.g.
  - Disbursement quota requirements
  - Gifts to non-qualified donees
  - Fundraising ratio
- New information to be filed
  - Information on external fundraisers
  - More details on activities outside of Canada
  - Information on donors not resident in Canada that made gifts \$10,000 or more

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- T3010 consists of compulsory 4 pages (Sections A to F), and 6 Schedules to complete where applicable (some info is public)
- Sections A to F
  - A. Identification (public information)
  - B. Directors/trustees and like officials (Form T1235 (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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- Sections A to F contain questions to act as triggers to further reporting requirements set out in Schedules 1 to 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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- T3010 also include the following forms
  - *TF725 Registered Charity Basic Information Sheet* (partially public)
  - *T1235 Directors/Trustees and Like Officials Worksheet* (not required if filing Form RC232-WS) (partially public)
  - *T1236 Qualified Donees Worksheet / Amounts Provided to Other Organizations* (public)
  - *T2081 Excess Corporate Holdings For Private Foundations* (partially public)

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- Charities under the Ontario *Corporations Act* – also file *Form RC232-WS, Director/Officer Worksheet and Ontario Corporations Information Act Annual Return, or Form RC232, Ontario Corporations Information Act Annual Return*
- Confidential data is not available to the public, but is available:
  - To authorized representatives of the charity
  - CRA may share some info with other government and agencies or in legal proceedings
  - Bill C-25 which amended the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* permits CRA to share information with CSIS, RCMP, and foreign governments and agencies

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**D. FAILURE TO FILE T3010**

- T3010 must be filed within 6 months after fiscal year end
- Failure to do so will likely result in revocation of charitable status
- Failure to file is the most common cause for losing charitable status
- CRA generally gives charities a chance to rectify non-compliance
  - 5 months – CRA reminder by mail

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- 7 months - T2051A *Notice of Intention to Revoke Charitable Status*
  - Must file within 30 days
- 8 months – Personal contact from CRA by phone
- 10 months - 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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- To re-register, the charity will have to
  - Pay \$500 penalty
  - Complete T2050 re-registration application
  - Submit all missing T3010s
- Re-registration application
  - Approval not guaranteed
  - Treated the same as it is applying for the first time, must meet all *current* requirements, which may be different than when the charity first registered

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**E. WHAT TO DO BEFORE COMPLETING THE T3010**

1. Carefully check the TF725 *Registered Charity Basic Information Sheet*
  - Must be filed with the T3010 even if no changes from previous years
  - Verify for accuracy – reflects CRA's record
  - Ensure changes already requested of CRA appear on the form

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2. Be familiar with what information is made available to the public and what is not
  - Everything in the T3010 is available to the public and will be on CRA website except the following
    - Physical address of the charity
    - Storage address for books and records
    - Name and address of individual who prepared the T3010
    - Information about external fundraisers
    - Information about donors who are not resident in Canada
    - Directors/Trustees and Like Officials Worksheet – home address, telephone number, date of birth
  - Financials available to the public upon request

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3. Do not leave it until the last minute
  - T3010 can require a significant amount of time to complete
  - Board of directors or like officials should also review and approve the T3010 for certification purposes - because the T3010 will become a public document
4. Review T4033-1 *Completing the Registered Charity Information Return* and T3010 *Registered Charity Information Return* checklist
5. Review sample T3010 on CRA's website <http://www.cra-arc.gc.ca/tx/chrts/brtnq/trn/smpls-eng.html>

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6. April 27, 2010 – CRA new instruction sheet re 2010 federal budget new disbursement quota (DQ) rules
  - Instruction on how to complete T3010 (interim measure) for charities with fiscal period ending on or after March 4, 2010
  - 2010 budget
    - Repealed 80% DQ and all related concepts - enduring property, 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)
  - Replaced by T3010-1, no mention of “designated gift”

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**F. TIPS FOR COMPLETING THE T3010**

- 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 T3010

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**Section A – Identification**

- Question A1 – Was the charity in a subordinate position to a parent organization?
  - A subordinate charity can be defined as:
    - Is an internal division, e.g. an internal branch, section or other division of another charity without its own governing documents; or
    - Has its own governing documents, but is at least in some respects subordinate to another organization
- Question A3 – indicate whether it is a foundation – if so, fill out Schedule 1 - Foundations

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**Section B – Directors/Trustees and Like Officials**

- Must use either T1235 or RC232-WS (in Ontario) to provide particulars of directors/trustees or like officials
  - includes both a public portion and confidential data portion
- List only members of the board or individuals who either alone or in collaboration with one another have managing authority
- Examples: chair, vice-chair, treasurer, secretary or past chair
- NOT include individuals who are subject to control of the governing body, such as a paid executive director

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- Include personal information about the director/trustee, including birth date
- While information marked as “Confidential Data” may not be available to the public, Bill C-25 which amended the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* permits CRA to share information with CSIS, RCMP, and foreign governments and agencies

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- In order to reduce filing requirements, registered charities in Ontario under the Ontario *Corporations Act* may file RC232-WS or RC232, instead of T1235 *Directors/Trustees and Like Officials*
  - Will be shared with the Ontario Public Guardian and Trustee
  - 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 T3010 package sent by CRA
  - 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**

- Question C1 – whether the charity was active for the fiscal period – if not, explain why
- Question C2 - charity must explain all ongoing and new charitable programs
  - Description of the ongoing or new programs must fall within the charitable objects of the charity in accordance with its constating document (e.g. letters patent, trust deed, constitution)
  - If objects have changed, determine if CRA has approved the revised objects

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- Question C3 - If the charity has made gifts to qualified donees, complete form T1236 *Qualified Donee Worksheet*
  - “Qualified donee” defined in *Income Tax Act*, e.g. includes a registered charity, a registered Canadian amateur athletic association, United Nations and its agencies, “prescribed” universities, etc.
  - Question not clear - “made gifts or transferred funds to qualified donees or other organizations”?

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- Question C4 – whether the charity carried on activities outside Canada – if so, complete Schedule 2 – *Activities Outside Canada*
  - Schedule 2 requires the charity to name the individual and organizations that it has an arrangement with for programs outside Canada, country it is located and amount
  - Problematic for charities who do not wish to make publicly available the names of their partners and the location of their programs outside Canada – e.g. if their partners operate in a dangerous environment
  - If information not provided, charity should provide explanation to CRA in a covering letter
  - Do not include gifts to qualified donees

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- Question C7 – If use external fundraiser, complete Schedule 4 – *Confidential Data*
  - Need to provide the name and the “arm’s length” status of the external fundraiser
- Question C9 – If provide compensation to employees, must complete Schedule 3 – *Compensation*
  - “Gross” compensation, 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 – whether charity received donations for \$10,000 or more from any donor not resident in Canada, and who was not a Canadian citizen, employed in Canada, carrying on a business in Canada, or has disposed of taxable Canadian property
  - If “yes”, complete Schedule 4 – Confidential Data
  - Charities must have all the requisite personal data from non-resident donors, 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

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- Question C11 – Whether charity received non-cash gifts (gifts-in-kind), e.g. artwork, jewelry, vehicles
  - If so, complete Schedule 5 Non-Cash Gifts
  - Value for these gifts needs to include the total dollar value of tax receipted non-cash gifts
  - Independent appraisal should be provided with all necessary information, including that the appraisal is being done for a charity, to determine fair market value

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- 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
- Question C14 – is a trap – whether the charity has issued receipts on behalf of another organization
  - A charity is not permitted to allow another organization to use its registration number
  - If a charity must answer “yes”, it should seek legal advice to consider strategy

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**Section D – Financial Information**

- A small charity can complete this section IF:
  - Its revenue is \$100,000 or less
  - It has \$25,000 or less in assets not used in its charitable programs
  - Has not obtained permission to accumulate funds during the fiscal period
- If charity does not meet all of these criteria, then it must fill out the more extensive Schedule 6 – Detailed Financial Information

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- Schedule 6 - Detailed Financial Statements: Selected Tips
  - Charitable programs on line 5000 include:
    - Payments to, or the purchase of goods or services for the beneficiaries of the charity
    - Purchase and maintenance of facilities or equipment used in carrying out charitable programs
    - Fees, license or memberships that are necessary for the charity's work
    - Salaries paid to those engaged in charitable work
    - Payments to contractors or agents for goods and services

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- It is possible to allocate expenses between charitable programs on line 5000 and other expenditures
- The fundraising ratio of fundraising expenses to fundraising revenue calculated on an annual basis is calculated based upon the line items from the T3010
  - Fundraising revenues = line 4500 (receipted income) and line 4630 (all other income from fundraising)
  - Line 4630 - sponsorship? Other fundraising income?
  - Fundraising expenditures = line 5020

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- As of January 1, 2009, the 3.5% DQ has been extended to all charitable organizations with assets not used in charitable activities or administration in excess of \$25,000, increased to \$100,000 March 4, 2010 (remained at \$25,000 for foundations)
  - 3.5% DQ is based on an average fair market value of the those assets averaged over the previous 24 month period
  - Lines 5900 for the current fiscal year and 5910 for the next fiscal year
  - Keep adequate records of property value
  - T1259 *Capital Gains and Disbursement Quota Worksheet* no longer required
  - T3010-1 no mention of designated gifts

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**G. WHAT TO DO AFTER COMPLETING THE T3010**

1. Check again the T3010 checklist to ensure that all the requisite forms are included in the return
2. Have the board or like officials review the T3010 before submitting it, then check it for accuracy and completeness - T3010 information will be used by CRA auditors in the future
3. Keep copies for charity's own records before filing
4. Who will sign Section E – Certification
  - Must be a director/trustee or like official who has authority to sign on behalf of the charity
  - Has to certify the accuracy of the return
  - Serious offence under the *Income Tax Act* to provide false or deceptive information

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**H. FILING THE T3010**

- Mandatory to be filed by all registered charities within 6 months after year end
- File T3010 with all applicable Schedules and related forms
- Must file financial statements with the form
  - At a minimum, should consist of balance sheet, income statement and prepared notes
  - Should accurately show the different sources of revenue and the expenditures
  - CRA recommends that financial statements be professionally audited if income is over \$250,000, otherwise should be signed by treasurer

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- Attach peel-off bar code labels from TF725 *Registered Charity Basic Information Sheet* to all applicable forms
- Do not include
  - Changes to governing documents
  - Copies of donation receipts
  - Requests for changes to contact person, phone numbers, mailing address, etc.
- Mail to Charities Directorate, Canada Revenue Agency, Ottawa Ontario K1A 0L5, no e-filing (yet)

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**I. WHAT TO DO AFTER FILING THE T3010**

1. Check the T1242 *Registered Charity Information Return Summary*
  - CRA will mail out a copy after the charity has filed the T3010
  - Contains CRA’s DQ calculations and financial totals, based on info in T3010
  - Contact CRA if contains error
  - This information will be posted on CRA website to be viewed by the public
2. Subsequent corrections to T3010 can be made by submitting the T1240 form

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**J. AVOID COMMON MISTAKES**

- Mistakes can cause various problems such as processing delays, missing returns
- CRA’s list of common mistakes when filing the T3010
  - Mailing return to the wrong address
  - Filing the return on the wrong form
  - Not including the financial statements
  - Financial statements having a different fiscal period ending as the T3010 return
  - Not including the *Registered Charity Basic Information Sheet*

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- Describing fundraising activities instead of charitable activities in Section C2
- Not including Director/Trustee dates of birth, arm's length status or date of birth on Form T1235 *Directors/Trustees and Like Officials Worksheet*
- Not including qualified donees' BN/Registration numbers on Form T1236, *Qualified Donees Worksheet / Amounts Provided to Other Organizations*
- Not signing the Certification area in Section E
- Certain lines in financial info not add up correctly

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- On April 22, 2010, CRA's first *Charities Connection*
  - Beginning April 1, 2010, CRA will notify charities when lines 4700 (total revenue) and 5100 (total expenditure) of the T3010 have been improperly completed
  - These lines are sometimes left blank, contain numbers that have been incorrectly transposed from financial statements, or contain mathematical errors
  - Charities will not be forced to re-file or correct the error unless they are advised otherwise

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**CONCLUSION**

- This is only a general overview of key issues
- Take time to carefully complete the T3010
- Seek professional advice

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