

To obtain Charitable Status an organization must submit an application to CRA identifying:

a. What it intends to achieve

- Referred to as 'Charitable Purposes' or 'Objects'
- Referenced in CRA guidelines for approved 'objects' (use one of 4 categories, i.e. relief of poverty)

b. How it will accomplish its purpose

- Referred to as 'Charitable Activities' – detailing specific activities

There are privileges connected to Charitable Status:

- Exemption from paying income tax
- Ability to issue official tax receipts for gifts, (reduces payable income tax for individuals and taxable income for corporate donors)
- Recognized as a 'Qualified Donee' meaning you can receive funding from other charities

Responsibilities connected to Charitable Status:

- Required to prove that you are devoting substantial resources to the charitable purposes you were registered to do
- File the T3010B Information Return
- Carry out obligations under the *Income Tax Act*

Importance of the Board of Directors

The Board of Directors is the legal entity that has ultimate authority and accountability as the official governing body of a charity. The Board of Directors:

- Is accountable for competent, conscientious and effective management
- Must govern affairs within relevant legislation and regulations
- Have ultimate sign-off authority and responsibility

What does the Treasurer do?

The treasurer is responsible for the management of all Financial Records. CRA needs to ensure that all human, financial and physical resources are used for charitable purposes.

Other responsibilities include:

- Financial recordkeeping
- Compliance with financial regulations
- Appropriately inform and involve the Board in decision making processes related to finances
- Accurate and timely completion of the financial components of T3010B Information Return
- Ensure that records verify all official receipts
- Identify all income and expenditures
- Maintain records to prove that activities of the organization are charitable
- Know and adhere to all charitable receipting processes

Charities must respect CRA guidelines with regard to the use of their resources. CRA provides guidelines to assist charities in devoting adequate resources to charitable activities. They define three basic categories of activities:

1. **Permitted Charitable Activities:** (Approved and appropriate – connected to mandate of charity)
2. **Permitted but restricted activities** (Charities can direct some resources within defined limitations)
3. **Prohibited Activities:** (outside mandate of charity)

The Treasurer must be aware of these guidelines:

- Charities must direct adequate resources to Approved Charitable Activities
- Avoid use of resources in restricted or prohibited activities
- Meet Disbursement Quota Requirements
- Ensure understanding of financial terms
- Understand issues related to Split-Receipting
- Use proper receipting practices
 - The charity name, address, BN/Registration #
 - Date donation was received
 - Total amount received by charity
 - Name and address of donor
 - Date receipt issued, location receipt issued
 - Authorized signature of charity
 - Listing of CRA charities website

Some receipts must include other elements if they involve non-cash gifts and valued added benefits that the donor received:

Treasurer's Chest Info Sheet

Page 2 of 2

- The Eligible Amount of Gift for tax purposes
- Description of property
- Value of advantage
- Name and Address of Appraiser

A Complete T3010B Package Includes:

- A completed T3010B Information Return
- Basic Information Sheet
- Financial statements for year of return
- Completed Director/Trustee sheet - T1235
- Completed Qualified Donee worksheet- T1236

Do not forward the:

- Capital Gains and Disbursement Quota Worksheet - T1259

General Information About the T3010B

- Must be filed within 6 months of fiscal year end
- A package is received in mail in the month following the fiscal year end
- A process should be developed to ensure completion, compliance and filing
- Is a release of financial information to public
- Develop processes to capture information required for return

Financial Statements for fiscal period – Must be approved and signed by the Board's Treasurer and/or an authorized Director or Trustee. They show the sources of revenue and how the money was spent

- Statements of assets and liabilities (Balance Sheet)
- Statement of revenue and expenditures (Income Statement)

Ensure accurate transfer of Information to T3010B

- Generally accounting packages use categories that do not directly match the T3010B reporting categories
- Organizations should look at ways of recording revenue and expenditures to ease transfer of information – for current and future reporting
- Use specific spreadsheets to track important categories
 - Gifts-in-Kind – Fair Market Value, capital gains implications
 - Enduring property – implications on DQ
- Obtain advice about complex issues like:

- Capital gains, capital gains pool, capital gains reduction
- Enduring property (i.e. planned giving)
- Types of gifts (specific, exempted)
- Non-qualified investments and securities

Ensure expenditure allocation is appropriate

The T3010B is constructed to isolate expenditures by purpose, thus ensuring adequate resource allocation to identified charitable activities

- 5000 Charitable programs (main focus)
- 5010 Management and Administration
- 5020 Fundraising
- 5030 Political Activities
- 5040 Other Expenditures
- 5050-70 Qualified Donees
- 5100 Total Expenditures

Common challenges:

- Late filing of the T3010B Information Return
- Incomplete T3010B Information Returns
- Insufficient books and records
- Incomplete receipts/False information

Ensure Due Diligence of Board: The T3010B package must be officially signed by a Director/Trustee/Like Official. This process:

- Certifies that all information is correct and has been approved by a representative of the legal governing body of the charity
- Assumes Board has been directly involved in approval of information
- Assumes Board have been appropriately involved in process of completion and is aware of any issues which might affect CRA compliance– due diligence

Implement Strategies to Ensure Compliance

- Effective communication with CRA and Board
- Completing all forms accurately and correctly requires *quality* time
- Financial practices should facilitate T3010B Information Return reporting expectations
- Ensure an “organizational memory” for future reporting – there is a significant learning curve

For more help: Use Support & Professional Expertise of CRA & review the Guide to Completing the Charities Information Return.