



# Thinking of Becoming a Registered Charity?

## Tools to Help

[www.charitycentral.ca](http://www.charitycentral.ca)

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Developed by: San San Sy  
Edited by: Margaret Sadler

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## **For more information, contact:**

Diane Rhyason, Executive Director  
Legal Resource Centre of Alberta  
#201, 10350 – 124 Street  
Edmonton, AB T5N 3V9  
Phone: 780.451.8764  
Fax: 780.451.2341

Email: [info.lrc@ualberta.ca](mailto:info.lrc@ualberta.ca)

# Contents

<b>Welcome!</b> .....	<b>1</b>
<b>Becoming A Registered Charity</b> .....	<b>3</b>
What is a registered charity under the <i>Income Tax Act</i> ? .....	3
Why become a registered charity? .....	3
What are the obligations of a registered charity? .....	4
What is required for registration? .....	4
<b>Who and How: Getting started</b> .....	<b>6</b>
Who are you? .....	6
How are you or how will you be organized? .....	6
More information on how to incorporate .....	7
What is your purpose? .....	8
More information .....	9
Worksheet 1a. Do you fit? Charitable objects for an existing incorporated organization .....	10
Worksheet 1b. Do you fit? Charitable objects for organizations yet to be created .....	12
Worksheet 2. How will you further your objects? .....	14
Worksheet 3. How will you fund your charitable activities? .....	16
Do you have the necessary financial resources to carry out your purposes? .....	18
More information .....	19
Other required information for registration .....	19
Worksheet 4. To register or not .....	20
<b>Maintaining Your Charitable Status</b> .....	<b>22</b>
Registered charity activities .....	22
Political activities .....	22
Fundraising activities .....	23
Compliance requirements for fundraising – Checklist .....	24
Compliance requirements for donation receipts .....	25
Compliance requirements for books and records .....	26
Reporting to the CRA .....	27

<b>Appendix A. Model objects</b> .....	<b>28</b>
Relief of poverty .....	28
Advancement of education.....	28
Advancement of religion.....	29
Other purposes beneficial to the community .....	29
Foundations.....	32
International development.....	32
<b>Appendix B.1 Fast Facts—Registered Charity vs. Non-Profit Organization</b> .....	<b>33</b>
<b>Appendix B.2 Fast Facts—Fundraising Tax Receipts</b> .....	<b>34</b>
<b>Appendix B.3 Fast Facts—Length of Retention</b> .....	<b>36</b>
<b>Appendix C T2050 – Application to register a charity under the <i>Income Tax Act</i></b> .....	<b>38</b>

# Welcome!

This workbook will help you become—and continue to be—a registered charity under the *Income Tax Act* administered by the Canada Revenue Agency (CRA).



“Registered charity” is used in this workbook to refer to a charity that has applied to and been approved by the CRA. In Alberta, the term “charitable organization” is used to refer to non-profit organizations that do charitable work. Note: In this workbook, we will refer to “charitable organizations” as those organizations that have not been registered with the CRA.

If you are an existing charitable organization (but are not yet registered with the CRA) or if you are thinking of creating a charitable organization in Alberta, this workbook will help you

- determine if you want to become a registered charity
- prepare information for your application
- understand how to maintain your registered charity status

It will focus on the issues and steps

- in gaining registered charity status with the CRA.
- in maintaining your registered charity status with the CRA.

It does not cover foundations or registration through the Canada Amateur Athletic Association or the National Art Service Organization. For guidance in these registrations, visit [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/trtc/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/trtc/menu-eng.html)

It does not deal with how to incorporate, but will point you to the appropriate resource materials.

This workbook provides:

- Information about being a registered charity
- Worksheets and checklists to help you decide whether it is appropriate for you to apply for registered charity status
- Worksheets and checklists to organize your information for your application
- Information on what you need to do to maintain your registered charity status

## Caution

This workbook only provides an overview and covers general legal issues on registered charities. Many more legal issues have not been covered. You should get professional advice before making your final decision to apply as a registered charity.



To ensure accuracy and increase your chances of success, the CRA will review your complete application for registration **ONE TIME** before you officially submit your application.

The laws and rules change over time. A good way to keep up-to-date on charity tax law is to subscribe to the CRA's Charities and Giving **What's New RSS feed** and/or the **electronic mailing list** at [www.cra-arc.gc.ca/chrts-gvng/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/menu-eng.html)

# Becoming A Registered Charity

## What is a registered charity under the *Income Tax Act*?

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A charity is an organization

- established with no intention to make a profit
- whose purpose is recognized by law to be charitable, that is, of public benefit
- that engages only in charitable activities

Exceptions to this rule:

- it can engage in related business activities provided that the business
  - is related to its charitable object, or
  - is run by volunteers and the profits are used in its charitable activities
- it can engage in political activities within the CRA's guidelines
- registered with the CRA
- that complies with the CRA's requirements

## Why become a registered charity?

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Once you become a registered charity, you

- can issue tax receipts that an individual donor can use to reduce personal income tax payable or that a corporate donor can use to reduce its taxable income
- can apply for funding from qualified donees such as charitable foundations and, in some cases, the government
- are exempt from paying income tax under Part I of the *Income Tax Act*
- are exempt from charging GST/HST on many goods and services you provide and, in many situations, you can claim a partial rebate for the GST/HST you pay.

## What are the obligations of a registered charity?

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A registered charity

- devotes substantially all its resources to its stated charitable purposes
- issues complete and accurate donation receipts
- maintains proper books and records
- files its annual T3010 information return accurately and on time

See [www.cra-arc.gc.ca/E/pbg/tf/t3010b/README.html](http://www.cra-arc.gc.ca/E/pbg/tf/t3010b/README.html)

- engages in allowable activities, such as running a related business

A related business is defined as a business that fulfills the charity's object or one that is run substantially all by volunteers and the "profits" are used to support the charity's charitable activities.

- complies with the CRA's Fundraising Guidance and provincial legislation (where applicable)
- maintains its status as a legal entity
- informs the CRA of changes to its legal structure and mode of operations

For example, a registered charity must inform the CRA of changes to its name, address, contact person, bylaw amendments, and governing documents. It needs confirmation from the CRA on any proposed changes to its stated objects and charitable activities to ensure that they are still charitable. Changes to fiscal year-end have to be approved by the CRA.

For more information, see "Basic Guidelines for Maintaining Charitable Registration" available at [www.cra-arc.gc.ca/E/pub/xi/rc206/rc206-e.pdf](http://www.cra-arc.gc.ca/E/pub/xi/rc206/rc206-e.pdf)

## What is required for registration?

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The CRA considers particular factors in an application to be a registered charity:

- The organization is resident in Canada.
- The organization is established solely for charitable purposes. All its objects are charitable, that is, they fall under the four categories described in "What is your purpose?" on page 8.
- The organization will deliver a public benefit to the community as a whole or to a significant portion of the community.
- The proposed activities are charitable and will be carried out in a manner allowed by the *Income Tax Act*.
- The proposed activities will further the organization's objects.
- The organization is appropriately set up and is seen to have the capacity to carry out the activities.

*Note:* An organization applying for registered charity status is required to have a dissolution clause in its bylaws or other governing documents stating that, if the organization terminates its operations, its assets will be transferred to a qualified donee, that is, another registered charity.



See Appendix C for the CRA's application form to register as a charity under the *Income Tax Act*.

# Who and How: Getting started

## Who are you?

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You need to include

- name of organization
- address
- purpose
- board of directors
- governing documents, such as bylaws and constitution
- fiscal year-end



Each province has its own incorporation requirements, but in the application form to register as a society in Alberta, your organization can choose from a list of legal elements to be part of your name. Take care in choosing the legal element as it may have a different meaning in the context of a registered charity under the *Income Tax Act*. For example, the word “foundation” under the *Income Tax Act* refers to a registered charity that is formed to give 50 per cent of its income to other Canadian registered charities.

## How are you or how will you be organized?

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You don't have to incorporate to apply for registered charity status, but it is common practice to do so. Being incorporated as a society or a non-profit corporation makes the organization a legal entity separate from the people who started the organization. As a legal entity it has the same powers as individuals, for example, it can own property.

An organization can be incorporated under provincial or federal legislation. This workbook does not provide information on how to register or incorporate. It does refer you to the information.

## More information on how to incorporate

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- In Alberta, a charitable organization can be incorporated as a society or a non-profit corporation.
- To incorporate as a society, visit [www.servicealberta.gov.ab.ca/900.cfm](http://www.servicealberta.gov.ab.ca/900.cfm)
- To incorporate as a non-profit corporation under the *Companies Act*, visit [www.servicealberta.gov.ab.ca/714.cfm](http://www.servicealberta.gov.ab.ca/714.cfm)
- For other provincial requirements, visit [www.cra-arc.gc.ca/chrts-gvng/chrts/prvnsc/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prvnsc/menu-eng.html)
- Under federal law, a charitable organization can be incorporated as a not-for-profit corporation under the *Canada Corporations Act – Part II*. As of March 2010, a new *Not-For-Profit Corporations Act* currently awaits proclamation.  
For a legislative summary, visit [www2.parl.gc.ca/Sites/LOP/LEGISINFO/index.asp?List=ls&Query=5653&Session=22&Language=e%29](http://www2.parl.gc.ca/Sites/LOP/LEGISINFO/index.asp?List=ls&Query=5653&Session=22&Language=e%29)

## What is your purpose?

What are you doing?	What will you be doing?
<p>An incorporated charitable organization states its purpose in its incorporation documents. Commonly, the organization prints its purpose or mission in its brochure.</p>	<p>If your organization is not yet incorporated and does not have a written purpose, mission, or object, now is the time to draft one.</p>
<p>If you have prepared a purpose, compare it with the four categories of objects identified by the CRA (below) and the model objects (Appendix A). This is particularly useful in completing your application form.</p>	<p>If you haven't drafted a purpose yet, begin by considering the information about the CRA's four categories of objects (below) and the model objects (Appendix A).</p>

To be registered as a charity with the CRA, the object (purpose) of the organization has to be charitable as identified by the CRA. Your “purpose” is also known as your “object”.

The CRA has identified four categories of objects:

- relief of poverty
- the advancement of education
- the advancement of religion
- another purpose beneficial to the community

**Relief of poverty** – providing goods and services to help those who do not have basic amenities that are available to the general population.

**Example:** to provide and operate non-profit residential accommodation for disabled persons with low income.

**Advancement of education** – training the mind, advancing the knowledge or abilities of the recipient, raising the artistic taste of the community, or generating new knowledge through research. Education involves a process through which information is provided with opportunities for the learners to analyze, formulate opinions, and integrate it into their knowledge base.

**Example:** to educate the public about community development through workshops and seminars.

**Advancement of religion** – preaching and advancing the spiritual teachings of a religious faith and maintaining the doctrines and spiritual observances on which those teachings are based.

**Example:** To establish, maintain, and support a house of worship with services conducted in accordance with the tenets and doctrines of Buddhism.

**Another purpose beneficial to the community** – includes purposes that do not fall within the categories above, but have been recognized by the courts as charitable. Purposes under this category must be socially useful and must provide real benefit to a significant section of the whole community.

**Example:** To provide mental health services to members of multicultural communities who otherwise would not access and receive adequate services.

## More information

- The CRA has published a list of model objects at [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html)  
This list is also available in Appendix A.
- Some examples of objects relating to working with ethnocultural groups are discussed in
  - Charitable Work and Ethnocultural Groups – Information on registering as a charity at [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/thn-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/thn-eng.html)
  - Applicants Assisting Ethnocultural Communities – Policy CPS-023  
[www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-023-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-023-eng.html)
- Organizations that promote racial equality may find the CRA's Policy CPS-021 useful when preparing an application to register as a charity.  
[www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-021-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-021-eng.html)

## Worksheet 1a. Do you fit? Charitable objects for an existing incorporated organization

The term “objects” refers to the purposes that your charity is trying to achieve through its activities. In other words, this is the core reason that your organization exists.

For your organization to qualify for registration with the CRA, your objects have to be exclusively charitable, precise, and aimed to deliver public benefit. To be charitable, an object has to fit under any one of the four categories identified by the CRA.

1. Look for your objects in your governing document.
  - If your organization is incorporated under the *Alberta Societies Act*, you will find your objects in the application to form a society.
  - If your organization is incorporated under the *Alberta Companies Act*, your objects will appear in the memorandum of association.
  - If your organization is incorporated under the federal *Corporations Act*, your objects will be found in the articles of incorporation.
  - If your religious organization is incorporated under the *Alberta Religious Societies' Land Act*, refer to the declaration of the religious society as well as the certificate of incorporation.

What is your stated object?

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2. Consider the four categories identified by the CRA. Which category does your object fit under? (Check one)
  - Relief of poverty
  - Advancement of education
  - Advancement of religion
  - Another purpose beneficial to the community

3. If you find a category that your object can completely fit under, then proceed to review the list of model objects under the category that you checked. (Go to Appendix A or [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html) ) Is there a model object that is similar to your stated object? (Consider both wording and intent.)

If you have more than one object, do the same thing for each object.

What is the model object?

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If the wording of your stated object is not exactly the same as one of the model objects, you need not rewrite your object. If you submit your existing object, however, it means that the CRA may spend more time reviewing each of your objects.

4. If you cannot find a category that your object fits under, you need to review your object and decide what to do. Should you establish another organization or work with another organization?

*Note:* Organizations established for social activities, preservation of a culture, private benevolence (to benefit a specific group of individuals and not the general public or group of the public), and the promotion of sports cannot be registered charities. One exception is that organizations promoting amateur sports **nationally** may register as a Canadian Amateur Athletic Association.



If you decide to change your object in the future, you will have to ask for approval of any change at a general members meeting. The requirements for having a general members meeting are listed in your bylaws. Once the changes are approved at that meeting, you will need to send the amendments to the Alberta Corporate Registry and the CRA.

Test your object by completing Worksheet 2 on Charitable Activities before finalizing your objects for registration.

## Worksheet 1b. Do you fit? Charitable objects for organizations yet to be created

The term “objects” refers to the purposes that your charity hopes to achieve through its activities. In other words, this is the core reason that your organization will exist.

For your organization to qualify for registration with the CRA, your objects have to be exclusively charitable, precise, and aimed to deliver public benefit. To be charitable, an object has to fit under one of the four categories identified by the CRA.

1. Review the four categories of objects identified by the CRA. Check the category of object that your organization could fit:
  - Relief of poverty
  - Advancement of education
  - Advancement of religion
  - Another purpose beneficial to the community



If you are planning to incorporate as a society in Alberta, you may notice that the application form available from Service Alberta provides a list of objects for you to choose from. It is a good idea to work through this worksheet first before selecting objects from that list. The requirements of the *Societies Act* in Alberta are different from that of the *Income Tax Act* administered by the CRA.

2. Review the list of model objects in Appendix A. Find an object or objects under the category chosen in Step 1 that suits your organization. If you find more than one object that suits your organization, list all of them.

What is the model object?

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3. Use the model object or objects to complete the objects of your organization. List them here.

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Test your objects by completing Worksheet 2 on Charitable Activities before finalizing your objects for registration.

When you are satisfied with your objects and activities, now is the time to incorporate, if that is your wish. Register or incorporate with your provincial or federal incorporation authority. Once you are incorporated, you can then start your application to be a registered charity.

## Worksheet 2. How will you further your objects? (That is, what will your charitable activities be?)

As part of your planning process, your organization needs to have a list of proposed activities to guide your organization. This list of activities is required in **Part 3 of the CRA application form** (T2050).

List the activities planned for each of your objects.

The statement of each charitable activity should answer:

- What actions do you plan to take?
- How are you going to do it?
- Who is going to do it?
- Who are your beneficiaries (clients)?
- Where will the activities take place, if applicable?

### An example from the application form (T2050), Q11

**Purpose:** To relieve poverty by operating a soup kitchen

**Activities:** The organization will operate a soup kitchen at 555 Any Street, Any Place, Canada. We will offer breakfast, lunch, and dinner 365 days a year. The facility will be staffed by four volunteers and also provide clothing and other basic necessities to those in need. The soup kitchen's services will be advertised at local churches and community centres.

Another example can be found at [www.cra-arc.gc.ca/E/pbg/tf/t2050/t2050-fill-09e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t2050/t2050-fill-09e.pdf)

Use this worksheet to draft your activities. You need to list the activities for each object, so if you have more than two objects, use another sheet of paper.

### Purpose or Object 1

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### Activities for Purpose 1

(See questions above. Consider what, how, who, and where.)

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### Purpose or Object 2

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### Activities for Purpose 2

(See questions above. Consider what, how, who, and where.)

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## Worksheet 3. How will you fund your charitable activities?

### Q12 of the Application Form (T2050) – Fundraising Activities

Your registered charity can engage in fundraising activities as long as the activities

- follow the CRA's Guidance on Fundraising by Registered Charities  
[www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html)

and

- do not account for more than 10 per cent of your physical, human, and financial resources.



To gain an understanding of the fundraising compliance requirements, see the fundraising checklist on page 25.

1. What fundraising activities are you planning? Include the method, how often, and the number or percentage of volunteers.

Examples

- We will have one fundraising dinner every year. Ninety per cent of people involved are volunteers.
- We will have a fundraising drama festival every year. Ninety-five per cent of the people involved are volunteers.

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2. Do you have or will you be hiring a professional fundraiser outside of your organization? If yes, how will he or she be paid, that is, in a lump sum or as a percentage of the donations received?

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Compensation based on commission or results requires particular documentation and is generally not look upon favourably by the CRA.

## Do you have the necessary financial resources to carry out your purposes?

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Financial resources are required in order to carry out your proposed activities. In **Part 4 of the application**, you have to provide a proposed operating budget of revenues and expenditures for the next fiscal year (12 months). The process of preparing this budget is another way to assist your organization in making the decision to proceed with CRA registration or not. The proposed budget will give CRA a sense of your organization's practical capacity.

*Note:* If your organization has been in operation for more than one year, you must submit a copy of your most recent financial statements. Financial statements should consist of a statement of revenues and expenditures and a statement of assets and liabilities (Balance Sheet).

The application form provides a format and categories under revenues and expenditures for the Proposed Operating Budget. Do note that it is a proposed (estimate) budget and that not all the categories on the application may be applicable to your organization.

**Revenues** are the cash or property received from different sources:

- gifts from individuals
- gifts from corporations
- other registered charities
- government grants and contracts
- fundraising activities
- sale of goods and services or the use of assets

**Expenditures** are generally the cash payments for the cost of carrying out activities such as salaries, rent, office supplies and travel (line items). These line item expenditures are to be grouped under the categories of:

- charitable activities
- fundraising activities
- expenditures relating to the sale of goods and services
- political activities
- management and administration
- other



In preparing your proposed budget under these groupings, do keep in mind the spending limits for each of the groupings. Most of your expenditures should be for **charitable activities** while generally speaking only 10% of your expenditures can be allocated to **political activities**. A higher percentage may be allowed for smaller charities.

## More information

- Part 4 – Financial Information of the Organization (page 10) of the application form (T2050) at [www.cra-arc.gc.ca/E/pbg/tf/t2050/README.html](http://www.cra-arc.gc.ca/E/pbg/tf/t2050/README.html)
- p. 17 of Guide T4063 – Registering a Charity for Income Tax Purposes [www.cra-arc.gc.ca/E/pub/tg/t4063/README.html](http://www.cra-arc.gc.ca/E/pub/tg/t4063/README.html)

## Other required information for registration

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Other details you must include with your application include

- A dissolution **clause** in the bylaws or other governing document stating that should the organization terminate its operations, its assets will be transferred to a qualified donee, that is, a registered charity.
- The **list of directors**, officers, or trustees. This includes confidential information such as date of birth. (Part 5 of the T2050)
- **Contact information** (Part 6 of the T2050)
  - physical location of the organization
  - physical location of the organization's books and records, which cannot be a postal box number or a rural route number
  - authorized representative or contact person
- Signatures of two authorized individuals with their positions listed

## Worksheet 4. To register or not

Completing this worksheet will assist you in determining the readiness of your organization to apply as a registered charity with the CRA.

You should be able to answer **Yes** to most of these questions before proceeding with the registration process.

- Is your organization in Canada?  Yes  No
- Does your organization have only charitable purposes?  Yes  No  
Check one of the following four categories identified by the CRA:
  - Relief of poverty
  - Advancement of education
  - Advancement of religion
  - Another purpose beneficial to the community

Refer to [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/cpc/wtc-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/cpc/wtc-eng.html)

- Will your organization be delivering a public benefit to the community as a whole or to a significant section of the community?  Yes  No

**Note:** You cannot provide benefit to only a very specific section of a community.

- Is it important for your organization to issue official donation receipts and/or receive gifts (grants) from other registered charities, such as foundations?  
 Yes  No
- Does your organization have staff or committed volunteers to carry on your charitable purposes and activities on a regular and ongoing basis?  
 Yes  No
- Does your organization have the necessary skills and resources to do what is required by the CRA (Canada Revenue Agency)? That is, can it comply with and report all requirements.  Yes  No  
(Refer to the list of obligations of a registered charity on page 3 for more information.)

- Does your organization have enough support to get the donations or funding necessary to carry out your charitable activities?  
 Yes  No
- Does your organization plan to engage in political activities to further your objects, such as letter-writing campaigns, public rallies, and advocacy? (Q14 on the T2050 form)  Yes  No
- If your answer is yes to the above question, are you aware of the amount of resources allowed for political activities?  Yes  No
- Do you know that you cannot give any of your income to your members?  
 Yes  No

**Note:** A staff person who is also a member can be paid for services rendered.

# Maintaining Your Charitable Status

## Registered charity activities

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For income tax purpose, the activities of registered charities are classified under these groupings.

- **Charitable activities** – activities to carry out the organization’s charitable purposes or objects. The activities have to be consistent with the charity’s registered objects/ purposes with the Canada Revenue Agency (CRA).  
**Substantially all of a registered charity’s resources have to be used for charitable activities.**
- **Management and administrative activities** – activities necessary to maintain the organization
- **Political activities** – activities that are non-partisan, related, and further the charity’s object, based on well-reasoned positions, and that are a minor focus of the charity.
- **Fundraising activities** – activities to raise money to support activities. There are rules that a registered charity has to follow in fundraising activities. See page 24.

The resources (money and time) used in each of these activities have to be reported separately on the T3010 Annual Return form, which a registered charity has to file every year.

## Political activities

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Political purpose and activities are defined as those materials or actions that:

1. call for action, that is, encourage the public to contact elected representatives or public officials to change, retain, or oppose a law, policy or decision by any level of government in Canada or in a foreign country.
2. explicitly communicate to the public that a law, policy, or decision of any level of government of Canada or a foreign country should be retained, opposed, or changed.
3. incite, organize, or put pressure on an elected representative or public office to retain, change, or oppose a law, policy, or decision by any level of government in Canada or in a foreign country.

Political activities that do not support a political party or a political candidate are generally acceptable as long as they are

- related to the charity's purposes
- based on a well-reasoned position
- the minor focus of the charity
- supported by no more than 10 per cent of financial and volunteer resources

For more information, refer to CPS-022 on political activities:

[www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html)

## Fundraising activities

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Fundraising—any activity that asks for donations of support in cash or in kind, with or without tax receipts.

Your registered charity can engage in fundraising activities as long as fundraising does not become the main object of your charity.

Registered charities also have to comply with **provincial** fundraising legislation.

Fundraising does not include applying for funding:

- from government, like government grants

or

- from another charity, for example, a qualified donee, like a charitable foundation.

The fundraising compliance checklist on page 25 provides the key points covered in the CRA Fundraising Guidance.

The CRA's complete Fundraising Guidance, available at

[www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html), provides information about:

- telling the difference between charitable and non-charitable expenses
- unacceptable and banned practices
- reasonable costs-to-revenue ratios
- identifying signs of best practices



See [www.charitycentral.ca/site/?q=node/487](http://www.charitycentral.ca/site/?q=node/487)

## Compliance requirements for fundraising – Checklist

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Can you answer all the questions in this checklist?

- Do you have direct control over the activity, whether staff, a contractor, or volunteers organize it?
- If the event is to be carried out by staff or a third-party contractor:
  - Will he or she be paid based on results, that is, a commission?
  - Has the fair market value of the salary or commission been determined?
  - In the case of hiring a third-party contractor, did you check out other contractors and compare prices?
  - Will the staff or third party contractor be getting a disproportionate amount of benefits?
- Is there a budget for the event?
- If the donors will be receiving benefits (advantages), have you determined how much each tax receipt will be issued for?
- Will records be kept of the discussions and decisions relating to the fundraising event?
- Is the projected cost-to-revenue ratio within 35 per cent.  
*Note:* see the suggested ratio at [www.charitycentral.ca/node/499](http://www.charitycentral.ca/node/499)
- Who is preparing and delivering the information about the charity? Do you have a way of ensuring that the information is accurate?
- Will you be able to separate fundraising expenses from other expenses, such as charitable or administrative expenses?
- Has time been set aside after the event to debrief?

## Compliance requirements for donation receipts

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If you have any questions about these aspects of issuing donation receipts, visit the websites referenced.

- Gifts or donations involve transfer of property.  
See [www.charitycentral.ca/site/?q=node/70](http://www.charitycentral.ca/site/?q=node/70)
- Donation receipts can be issued for gifts in cash and gifts in kind.  
See [www.charitycentral.ca/site/?q=node/5](http://www.charitycentral.ca/site/?q=node/5)
- The CRA requires certain items on the official donation receipts you issue.  
See sample receipts at [www.charitycentral.ca/site/?q=node/309](http://www.charitycentral.ca/site/?q=node/309)
- For non-cash gifts, official tax receipts cannot be issued without knowing the fair market value of the gift.  
See [www.charitycentral.ca/site/?q=node/81](http://www.charitycentral.ca/site/?q=node/81)
- Certain gifts in kind (for example, fine art or protected environment) have certain rules.  
See [www.charitycentral.ca/site/?q=node/50](http://www.charitycentral.ca/site/?q=node/50)
- Services are not considered property. So, a donation of services is not considered a gift.  
See [www.charitycentral.ca/site/?q=node/350](http://www.charitycentral.ca/site/?q=node/350)
- If a donor receives something as a result of a donation, you must follow certain rules to determine the eligible amount on the donation receipt.  
See [www.charitycentral.ca/site/?q=node/55](http://www.charitycentral.ca/site/?q=node/55)
- Issuing donation receipts from fundraising events involves some special considerations.  
See [www.charitycentral.ca/site/?q=node/88](http://www.charitycentral.ca/site/?q=node/88)
- Your registered charity does not always have to issue official tax receipts.



Read Fast Facts on Fundraising Tax Receipts in Appendix B.2

## Compliance requirements for books and records

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Registered Charities need to create and maintain proper books and records according to tax requirements.

Your registered charity must keep its books and records

- at the address you registered with the CRA
- in print or electronic format  
See [www.charitycentral.ca/site/?q=node/459](http://www.charitycentral.ca/site/?q=node/459)
- in English or French
- accessible to the CRA for review
- maintained for a certain period of time as specified by the CRA  
See [www.charitycentral.ca/site/?q=node/463](http://www.charitycentral.ca/site/?q=node/463)



A chart “Fast Facts: Books and Records: Length of Retention” is available in Appendix B.2 and at

[www.charitycentral.ca/site/docs/FastFacts\\_BandR\\_Length\\_final.pdf](http://www.charitycentral.ca/site/docs/FastFacts_BandR_Length_final.pdf)

## Reporting to the CRA

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A registered charity has to report to the CRA any changes to

- governing documents; addresses; contact people

For more information, see [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/chngs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/chngs/menu-eng.html)

- year-end

*Note:* This has to be approved by the CRA in advance since it affects the charity's filing obligations.

For more information, visit [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rqsts/fp-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rqsts/fp-eng.html)

- object or purpose



Consult with the CRA before making changes. If an organization introduces objects that are not charitable, it risks losing its charitable status.

For more information, see [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/chngs/prps-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/chngs/prps-eng.html)

These changes or requests have to be mailed or faxed to:

Charities Directorate

Canada Revenue Agency

Ottawa ON

K1A 0L5

Fax: 613-954-8037



Send these changes **separately** from the information return (T3010) to ensure proper processing.

# Appendix A

## Model objects

The Canada Revenue Agency (CRA) has published this non-exhaustive list of acceptable purposes, known as Model Objects, for each category. The wording of these model objects has been approved by the CRA. Using one of these model objects may reduce the time you need to spend drafting your objects. It may also shorten the time for the CRA's review of your application.

The following model objects are from the CRA's website:

[www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html)

### Relief of poverty

- To relieve poverty by providing basic amenities, including food, clothing, and shelter to [specify e.g., the poor, needy, necessitous, underprivileged, low income, in financial need or of small or limited means].
- To relieve poverty by operating a food bank for the benefit of the poor.
- To provide and operate non-profit residential accommodation and incidental facilities exclusively for [specify e.g., persons of low income; senior citizens primarily of low or modest income; or disabled persons primarily of low or modest income].
- To relieve poverty by providing food and other basic amenities to persons of low income, by establishing, operating and maintaining shelters for the homeless.

### Advancement of education

- To advance education by establishing and operating schools.
- To educate the public by providing courses, seminars and workshops about [specify].
- To provide childbirth education classes that focus on issues of family-centred care, preparation for parenting and nutrition.
- To educate youths by providing leadership training programs and workshops.
- To educate children about safety issues by providing appropriate level courses, seminars and workshops on [specify topic].
- To educate the public about community development through workshops and seminars.
- To educate and inform the public about wild birds and their habitats by providing courses, workshops and seminars on that topic.
- To educate the public on agriculture and farming.

- To advance education by providing scholarships, bursaries, awards and other forms of financial assistance to [specify].
- To advance the education of students attending [specify name of school] by providing books, equipment and educational aids.
- To train police officers, teachers, social workers and crisis response workers on how to recognize and respond to online sexual exploitation and assist children and youth affected by this issue.
- To advance education by operating a science fair for students across Canada.
- To establish and operate a resource library for [specify].
- To establish, maintain and operate an educational training centre that will provide instruction on [specify].
- To educate and increase the public's appreciation of aboriginal culture.

### **Advancement of religion**

- To advance and teach the religious tenets, doctrines and observances associated with the [specify faith or religion] faith.
- To preach and advance the teachings of the [specify faith or religion] faith and the religious tenets, doctrines and observances associated with that faith.
- To establish, maintain and support a house of worship with services conducted in accordance with the tenets and doctrines of the [specify faith or religion] faith.

#### **Religious schools**

- To establish and maintain a [specify faith or religion] religious school of instruction for children, youths and adults.
- To advance the [specify faith or religion] faith by providing spiritual and educational resources to [specify], nationally and internationally.
- To advance and teach the religious tenets, doctrines and observances associated with the [specify faith or religion] faith by establishing a facility to be used for religious programs, workshops, music and [specify e.g., Bible, Koran, Talmud, etc.] studies.

### **Other purposes beneficial to the community**

- To operate a youth centre, which offers structured programs that are directed toward resolving specific problems faced by youth.
- To provide, administer and maintain a multi-use facility for the community of [specify community].
- To operate a drop-in centre for troubled youth including those with special needs, disabilities and behavioural problems that will provide educational, cultural, recreational and social activities in a supervised setting.

- To provide residential housing and support services to persons with disabilities.
- To provide trained persons or services required by persons with mental or developmental disabilities to assist them with life skills, recreation and other daily activities.
- To establish an athletic and recreation facility which will serve persons with disabilities.
- To provide athletic and recreational programs to support the physical, mental and emotional well being of persons with disabilities.
- To provide life management counselling and other supportive services to allow persons with disabilities to become more independent in the community.
- To provide training and assistance in the placement of persons with disabilities in gainful employment.
- To provide financial assistance to physically challenged youth enabling them to attend camps, which offer specially adapted programs.
- To provide recreational programs to deaf and hearing impaired children.
- To provide assistive devices to the deaf and hearing impaired.
- To provide air cadet training to youth as a means of promoting the efficiency of the armed forces.
- To provide education, counselling and other support services for refugees and immigrants in need, including language instruction, employment training, job search programs, translation services and information programs on Canadian culture and life.
- To erect playground structures for children.
- To provide entertainment and therapy to sick children in hospitals.
- To provide and operate a clinic that will provide medical care to [specify].
- To educate and instruct medical professionals on prevention of, and curative measures for various health problems in developing countries.
- To build and equip a mobile hospital to provide medical, health and support services.
- To establish, operate and maintain a long-term group home for troubled youth.
- To establish, operate and maintain a life-skills learning centre for aboriginal troubled children and youth.
- To provide an extensive aftercare program for troubled youth.
- To provide outreach and intervention programs, youth conferences and workshops for troubled youth.
- To provide a crisis line for troubled children and youth.
- To provide and maintain a memorial garden for the benefit of the community.
- To restore, develop and preserve the [specify e.g., historic site] with a view to educate and commemorate the site.
- To provide grief support for those who have lost loved ones.
- To provide counselling and outreach programs to those affected by family violence.

- To provide support services for aged persons including personal care, housekeeping, meals, nursing, shopping assistance and transportation to medical appointments.
- To establish and provide day-care services for children.
- To educate the public about agriculture by holding a rural expo.

#### **Family and youth counselling**

- To provide a learning center for educational assessment, behaviour management and tutoring for children, youth and parents.
- To provide mentoring programs, workshops and seminars for parents, children and youth in anger management, conflict resolution and effective communication.

#### **Health**

- To provide not-for-profit hospitals with medical and dental equipment.
- To provide breastfeeding consultation to nursing mothers.
- To provide postpartum counselling to new mothers and their families.
- To provide education and information to expectant mothers relating to preparation for birth and care during early childhood.

#### **Arts**

- To educate and increase the public's understanding and appreciation of the arts by providing performances of an artistic nature in [specify e.g., public places, senior citizens homes, churches, community centres and educational institutions] and by providing seminars on topics related to such performances.
- To provide instructional seminars on topics related to the performing and visual arts.
- To produce performing arts festivals for the purposes of educating and advancing the public's understanding and appreciation of performing arts and to educate artists through participation in such festivals and related workshops.
- To educate the public in music performance and composition through workshops and recitals.

## Foundations

- For Ontario  
To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to charitable organizations that are also registered charities under the *Income Tax Act* (Canada).
- For all other Canadian jurisdictions  
To gift funds to qualified donees as defined in subsection 149.1(1) of the *Income Tax Act*.

*Note:* Some provinces require that organizations whose purpose is to fund other organizations stay within the common law as administered at the provincial level. To meet these provincial requirements, any reference to qualified donees in corporate objects should ensure that the donees are registered charities. An organization can choose to meet federal tax law requirements by funding qualified donees that are not registered charities, but it would then not qualify as a charity in some provincial jurisdictions.

## International development

### Relief of poverty

- To relieve poverty in developing nations by providing food and other basic supplies to persons in need.

### Health

- To develop or promote public health in developing nations by educating and instructing the public on prevention of, and curative measures for health problems and by researching and documenting changes in the health of the community.

### Drinking water

- To improve the quality of drinking water in developing nations by constructing wells and water treatment, irrigation and sewage treatment systems.

### Agriculture

- To improve skills in forestry, agriculture and horticulture and to assist in the preservation of the environment in developing nations.

### Disaster relief

- To provide the necessities of life to victims of disasters.

# Appendix B.1

## Registered Charity vs. Non-Profit Organization

Registered charities are often referred to as non-profit organizations (NPOs). However, while both types of organizations operate on a non-profit basis, the two types are defined differently under the *Income Tax Act*.

Topics	Registered Charity	NPO
Purposes	Must be established and operate exclusively for charitable purposes <ul style="list-style-type: none"><li>• relief of poverty</li><li>• advancement of education</li><li>• advancement of religion</li><li>• purposes beneficial to the community</li></ul>	<ul style="list-style-type: none"><li>• Can operate for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except profit.</li><li>• Cannot operate exclusively for charitable purposes.</li></ul>
Registration	Must apply to the Canada Revenue Agency (CRA) and be approved for registration as a charity.	No registration process for income tax purposes.
Charitable Registration Number	Is issued a charitable registration number upon approval by the CRA	Is not issued a charitable registration number.
Tax Receipts	Can issue official donation receipts for income tax purposes.	Cannot issue official donation receipts for income tax purposes.
Spending Requirement (Disbursement Quota)	Must spend a minimum amount on its own charitable activities or as gifts to qualified donees.	Not applicable
Designation	Is designated by the CRA as a charitable organization, a public foundation or a private foundation.	Does not receive a designation.
Returns	Must file annual information return (Form T3010) within six months of its fiscal period end.	May have to file a T2 return (if incorporated), and/or an information return (Form T1044) within six months of its fiscal period end.
Personal Benefits to Members	Cannot use its income to personally benefit its members.	Cannot use its income to personally benefit its members.
Tax Exempt Status	Is exempt from paying income tax.	<ul style="list-style-type: none"><li>• Is generally exempt from paying income tax.</li><li>• May be taxable on property income or on capital gains.</li></ul>

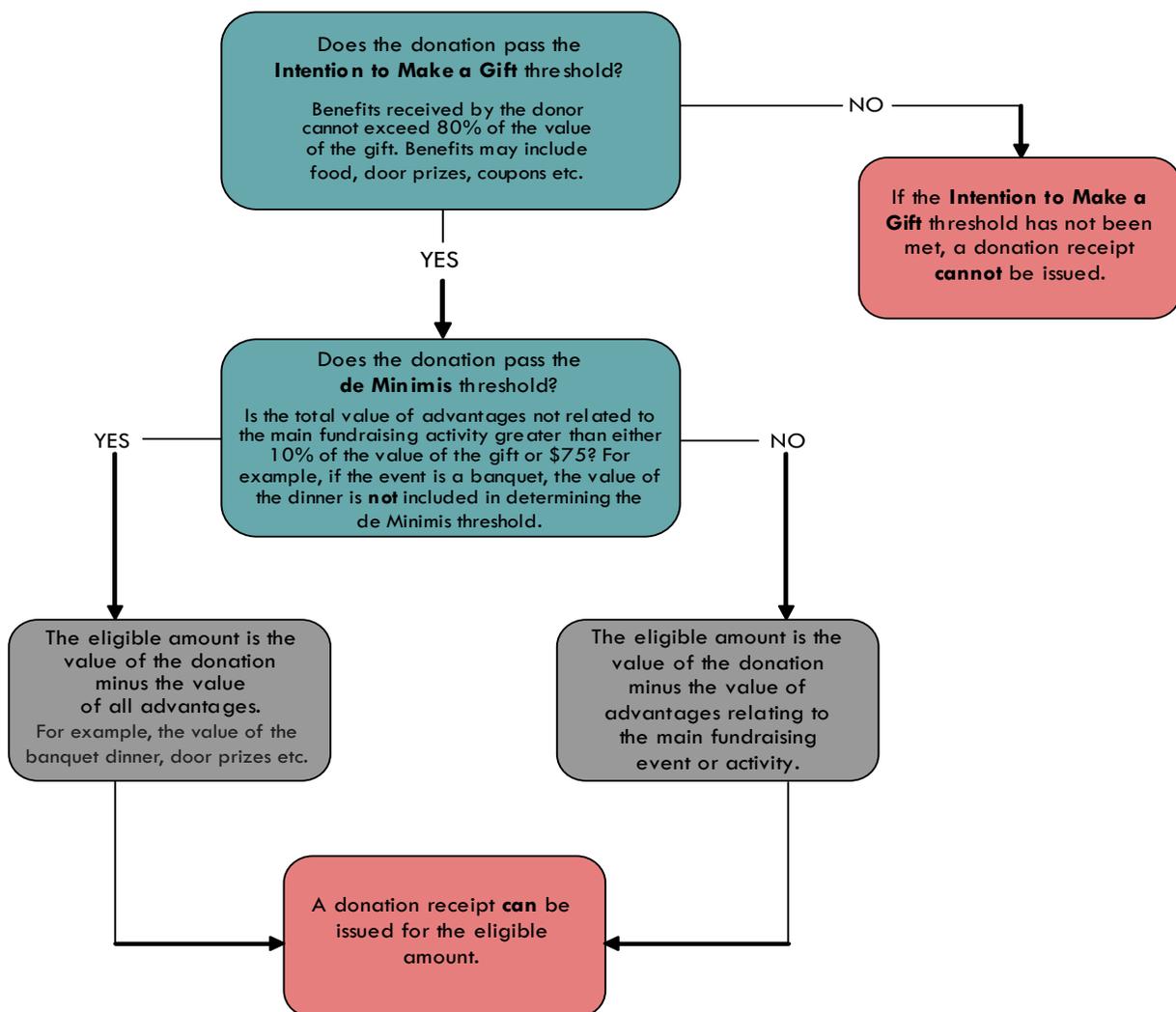
Adapted from CRA website: [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/rgstrtn/rght-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/rgstrtn/rght-eng.html)

### Fundraising and Tax Receipts

Fundraising events such as luncheons, banquets, or golf tournaments involve giving benefits to the donors. These benefits are known as advantages under the *Income Tax Act*. When calculating the eligible amount for an official donation receipt, these advantages must be taken into consideration.

There are two thresholds that have to be met in determining the amount.

The following diagram gives you a general idea of how to apply the thresholds, while the example further illustrates the process.



Charity WYZ plans to sell 500 tickets for a fundraising lunch at \$100 per ticket. Each ticket comes with a book valued at \$20 and the value of the lunch is \$35. As well, raffle tickets will be sold during the luncheon @ \$20 each for three prizes with a total value of \$2,000.

The fundraising committee wants to know the eligible amount for the official donation receipt, in order to include it in their promotional materials.

**1. Determine the Intention to Make a Gift threshold**

- Will the ticket holder be receiving advantages? **Yes**
- Does the advantage exceed 80% of the ticket value? **No**

Calculation:

Value of lunch	\$35
Book	<u>\$20</u>
Total	\$55

**\$55 is 55% of the gift (i.e. the price of the ticket), so it passes the Intention to Make a Gift threshold.**

Note: Raffle tickets are sold separately and therefore are not included in the calculation.

**2. Determine the de Minimis threshold**

The object of the event should not be included in the calculation of the de Minimis threshold. In this case, the event is a luncheon, so the value of the luncheon (\$35) is not included in the calculation of the threshold.

Is the advantage more than either 10% of the value of the donation (i.e. the ticket), or \$75? **Yes**

Calculation: 10% of \$100 is \$10, and the advantage of the book is \$20

**The advantage of the book exceeds the de Minimis threshold. Therefore, it should be included in determining the eligible amount on the official donation receipts.**

**3. Determine the eligible amount on the official donation receipt**

Calculation:

Value of the ticket	\$100
Less the value of the lunch	\$35
Less the value of the book	\$20
<b>Eligible amount</b>	<b>\$45</b>

**The fundraising committee can advertise that an official donation receipt for \$45 will be issued per ticket.**

### Books & Records Length of Retention

Type of Record	Description	Retention Period
Records Concerning Gifts	Duplicates of receipts for donations (other than 10-year gifts to Registered Charities)	<ul style="list-style-type: none"> <li>2 years from the end of the last calendar year to which the receipts relate</li> </ul>
	All records concerning 10-year gifts	<ul style="list-style-type: none"> <li>as long as the charity is registered</li> <li>2 year after the date on which the registration of the charity is revoked</li> </ul>
Records of Meetings	Any record of the minutes of meetings of the directors/executive	<ul style="list-style-type: none"> <li>as long as the charity is registered</li> <li>2 year after the date on which the registration of the charity is revoked</li> </ul>
	Any record of the minutes of meetings of the members	<ul style="list-style-type: none"> <li>as long as the charity is registered</li> <li>2 year after the date on which the registration of the charity is revoked</li> </ul>
General Ledger	The general ledger or other book of final entry containing the summaries of the year-to-year transactions	<ul style="list-style-type: none"> <li>6 years from the end of the last taxation year to which the record relates, while the charity is registered</li> <li>2 years after the date on which the charity is revoked</li> </ul>
	Any special contracts or agreements necessary to an understanding of the entries in the general ledger or other book of final entry	<ul style="list-style-type: none"> <li>6 years from the end of the last taxation year to which the record relates, while the charity is registered</li> <li>2 years after the date on which the charity is revoked</li> </ul>

Type of Record	Description	Retention Period
All Documents and By-laws Governing a Registered Charity	All documents and by-laws governing a Registered Charity	<ul style="list-style-type: none"> <li>• as long as the charity is registered</li> <li>• 2 year after the date on which the registration of the charity is revoked</li> </ul>
Other Books and Records of Account	Books and records, together with the accounts and vouchers, containing the summaries of the year-to-year transactions of the charity	<ul style="list-style-type: none"> <li>• 6 years from the end of the last taxation year to which the record relates</li> <li>• 2 years after the date on which the registration of the charity is revoked</li> </ul>
Other (Non-exhaustive list)	Financial statements  Invoices/vouchers  T3010As & T3010Bs	<ul style="list-style-type: none"> <li>• 6 years from the end of the last taxation year to which the record relates</li> <li>• 2 years after the date on which the registration of the charity is revoked</li> </ul>

