



Canada Revenue  
Agency

Agence du revenu  
du Canada

# Completing the Registered Charity Information Return

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## Checklist:

Before mailing the return, make sure you have attached all of the following:

- Form T3010B (09), *Registered Charity Information Return*;
- Form TF725, *Registered Charity Basic Information sheet*;
- a copy of your charity's financial statements;
- Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, with all the required information, including details such as the date of birth of all directors (unless you have included Form RC232-WS);
- Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable);
- Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, with all the required information (if applicable);
- Schedule 1, *Foundations* (if applicable);
- Schedule 2, *Activities Outside Canada* (if applicable);
- Schedule 3, *Compensation* (if applicable);
- Schedule 4, *Confidential Data* (if applicable);
- Schedule 5, *Non-Cash Gifts* (if applicable);
- Schedule 6, *Detailed Financial Information* (if applicable); and
- Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable).

To help us process your charity's return properly, attach the peel-off labels from the *Registered Charity Basic Information sheet* to the return and to any attachments that require a label.

Mail the return to:

Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

## **Important reminder:**

**Do not attach correspondence or copies of governing documents to your charity's annual return. These should be mailed separately to the above address.**

Some sections of the new Form T3010B (09), *Registered Charity Information Return*, contain tables that are to be completed if they are applicable to your charity. If there is not enough room in these tables for the information requested, attach a separate sheet with this information. Ensure the attached sheet is identified accurately, and, where applicable, labels from Form TF725, *Registered Charity Basic Information* sheet, are affixed.

La version française de cette publication s'intitule *Comment remplir la déclaration de renseignements des organismes de bienfaisance enregistrés*.

## What's new

This guide should be used to complete Form T3010B (09), *Registered Charity Information Return*.

### **Form T3010B (09), *Registered Charity Information Return***

We have divided the information on Form T3010B (09), *Registered Charity Information Return*, into a simple core form and topic-related schedules to make it easier to use, and simplify the filing burden for smaller charities. It will also provide the public with more meaningful information about registered charities.

This form, with Form T1235 (09), and Form T1236 (09), is to be used for **fiscal periods ending on or after January 1, 2009**. For fiscal period ends that occur before this date (starting after March 22, 2004), up to and including December 31, 2008, charities must use Form T3010A (05), Form T1235, and Form T1236, which are available on our Web site at [www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html](http://www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html), or by calling 1-800-267-2384.

### **Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, and Form RC232, *Ontario Corporations Information Act Annual Return***

#### **Note**

These forms apply only to registered charities that are incorporated, continued, or amalgamated in the Province of Ontario, and that are subject to the *Ontario Corporations Act*.

Beginning January 1, 2009, the CRA will collect, on behalf of the Province of Ontario, the *Ontario Corporation Information Act* Annual Return information from registered charities incorporated, continued, or amalgamated in Ontario and subject to the *Ontario Corporations Act*.

Registered charities incorporated, continued, or amalgamated in Ontario, and subject to the *Ontario Corporations Act*, with a **fiscal period ending on or after January 1, 2009**, should receive Form RC232-WS with their Form T3010B (09), *Registered Charity Information Return*, packages. This worksheet is a blended form that collects corporate information for the Province of Ontario and the CRA under the authority of the *Corporations Information Act* and the *Income Tax Act*, respectively. All information collected on behalf of the Province will be transmitted to the Government of Ontario, for the purpose of recording the information on the public record maintained by the Province.

A charity may file with its Form T3010B (09), *Registered Charity Information Return*, either:

- Form RC232-WS, Director/Officer Worksheet and Ontario Corporations Information Act Annual Return, or;
- Form RC232, Ontario Corporations Information Act Annual Return, and Form T1235 (09), Directors/ Trustees and Like Officials Worksheet.

More detailed instructions on how to complete Form RC232-WS and Form RC232 are found on these forms.

### **Legislative changes**

**Bill C-33, *Budget Implementation, 2004, No. 2*, received royal assent on May 13, 2005.** This guide incorporates the disbursement quota changes that came into effect for fiscal periods that begin after March 22, 2004.

**Bill C-28, *An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, and to implement certain provisions of the economic statement tabled in Parliament on October 30, 2007*, received royal assent on December 14, 2007.** This guide incorporates the Excess Corporate Holdings Regime introduced through this Act, now in effect for private foundations.

### **Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations***

Effective March 19, 2007, a private foundation that holds issued and outstanding shares (whether public or private) of a share class of a corporation may be subject to new obligations.

Private foundations that hold more than 2% of the issued and outstanding shares of any class of shares of a corporation at any time during their fiscal periods beginning after March 18, 2007, must complete Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations*, which is only sent to private foundations with the Form T3010B (09), *Registered Charity Information Return*, package.

For more information, see Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, on the CRA Web site at [www.cra.gc.ca/E/pub/tg/t2082/README.html](http://www.cra.gc.ca/E/pub/tg/t2082/README.html). If you need help, call us at 1-800-267-2384.

#### **Note**

Charitable organizations and public foundations will not be receiving the Excess Corporate Holdings Worksheet.

## **3.5% disbursement quota now applies to all registered charities**

Charitable organizations registered before March 23, 2004, were temporarily exempt, as a transitional measure, from the 3.5% disbursement quota requirement. However, effective for fiscal periods that begin in 2009, all registered charities will now be subject to this quota.

A charity calculates its 3.5% disbursement quota based on the average value of property it owned at the end of the 24 months before the beginning of the fiscal period, and that was not used directly in charitable activities or administration. If the average value of such property is \$25,000 or less, the charity does not have a 3.5% disbursement obligation. For more information on the 3.5% disbursement quota, see Property not used in charitable activities or administration, at pages 27-28.

# Table of Contents

|   | Page |   | Page |
|---|------|---|------|
| Canada Revenue Agency's Service Pledge .....              | 7    | <b>Completing Form T3010B (09), Registered Charity</b>  |      |
| Need More Information? .....                              | 7    | <b>Information Return</b> .....                         | 12   |
| Your Opinion Counts! .....                                | 7    | Section A – Identification .....                        | 12   |
| <b>Before You Start</b> .....                             | 7    | Section B – Directors/trustees and like officials ..... | 13   |
| When does a registered charity have to file its           |      | Section C – Programs and general information .....      | 13   |
| information return? .....                                 | 7    | Section D – Financial information.....                  | 16   |
| What is an information return? .....                      | 8    | Section E – Certification .....                         | 17   |
| Note for Registered National Arts Service                 |      | Section F – Confidential data.....                      | 18   |
| Organizations (RNASOs) .....                              | 8    | Schedule 1, Foundations .....                           | 18   |
| What information on the return is available               |      | Schedule 2, Activities Outside Canada .....             | 19   |
| to the public? .....                                      | 8    | Schedule 3, Compensation.....                           | 19   |
| Registered Charity Information Return Summary .....       | 9    | Schedule 4, Confidential Data .....                     | 19   |
| General notes on completing the return.....               | 9    | Schedule 5, Non-Cash Gifts .....                        | 20   |
| <b>How to Amend the Return</b> .....                      | 9    | Schedule 6, Detailed Financial Information.....         | 20   |
| <b>Completing Form TF725, Registered Charity Basic</b>    |      | Calculating the Disbursement Quota .....                | 28   |
| <b>Information</b> .....                                  | 10   | <b>Completing Form T1259 (09), Capital Gains and</b>    |      |
| <b>Table 1 – Field Codes and Program Activities</b> ..... | 11   | <b>Disbursement Quota Worksheet</b> .....               | 29   |
|   |      | <b>Glossary</b> .....                                   | 30   |

## Canada Revenue Agency's Service Pledge

You can expect reliable, responsive, fair service in the official language of your choice. We will provide this service to you, explain our decisions and actions, and seek your suggestions on ways to improve our services.

### Charities Directorate

#### Our Mission

Our mission is to promote compliance with the income tax legislation and regulations relating to charities through education, quality service, and responsible enforcement, thereby contributing to the integrity of the voluntary sector and the social well-being of Canadians.

#### Our Vision

The Charities Directorate will be recognized and respected by charities, stakeholders, and the Canadian public for its integrity, fairness, knowledge, and innovative service delivery resulting in client-oriented service and compliance.

## Need More Information?

### Internet access

You can find the list of registered charities, newsletters, policies, and other pertinent information regarding charities on our Web site at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities). You may want to bookmark this address for easy access later.

The Web site also has various searchable Charities listings such as registered, revoked, and annulled charities, as well as charities that have been assessed with a penalty and/or a suspension.

### Forms and publications

Throughout the guide, we refer to other forms and publications. You can get these documents on our Web site at [www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html](http://www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html), or by calling 1-800-267-2384.

You can also access the policies referred to in this guide on our Web site at [www.cra.gc.ca/tx/chrts/plcy/menu-eng.html](http://www.cra.gc.ca/tx/chrts/plcy/menu-eng.html).

### Electronic mailing lists

When you subscribe to one of the CRA's electronic mailing lists, we'll notify you by email whenever there's important new information on a subject of interest to you. We offer mailing lists for various tax matters (e.g., Charities and Giving - What's new).

When you subscribe to Charities and Giving - What's new, you will be notified of additions to the Charities Web site, including Charities Newsletters, policy statements and commentaries, new guidelines, draft guidelines for consultation, and information about outreach activities.

If you need more information on a particular topic, you can reach the Charities Directorate by calling:

- 613-954-0410 for local Ottawa calls (English);
- 613-954-6215 for local Ottawa calls (bilingual);
- 1-800-267-2384 for toll-free, long distance calls (English);
- 1-888-892-5667 for toll-free, long distance calls (bilingual);
- 1-800-665-0354 for toll-free TTY service for persons with a hearing or speech impairment.

The Charities Directorate's fax numbers are:

- 613-954-8037 – Client Service
- 613-957-8925 – Monitoring
- 613-952-6020 – Assessment & Determinations
- 613-948-1320 – Policy, Planning and Legislation

## Your Opinion Counts!

We review our publications every year. If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. You can email your comments or suggestions to [charities-bienfaisance@cra.gc.ca](mailto:charities-bienfaisance@cra.gc.ca).

You can also send your comments to:

Charities Directorate  
Canada Revenue Agency  
Ottawa ON K1A 0L5

## Before You Start

### When does a registered charity have to file its information return?

Under the *Income Tax Act*, every registered charity has to file an information return each year. The return must be filed no later than six months after the end of the charity's fiscal period. For example, if your charity's fiscal period end is March 31st, its annual information return is due by September 30th.

A charity that does not file its return can lose its registered status. If a charity's registration is revoked, it:

- is no longer exempt from tax, unless it qualifies as a non-profit organization;
- cannot issue official donation receipts; and
- must transfer its property to an eligible donee or be subject to a revocation tax equivalent to the full value of its remaining assets (under Part V of the *Income Tax Act*).

The purpose of this revocation tax is to ensure that charitable property continues to be applied to charitable uses. In essence, a revoked charity must ensure that it spends its money on its own charitable programs or

donates the remaining assets to an eligible donee (e.g., a Canadian registered charity). If the revoked charity does this, the tax may be zero. However, if it fails to do this, the tax is set at the amount that remains once outstanding debts have been paid.

Under the *Income Tax Act*, an eligible donee is a registered charity:

- that is not subject to a suspension of tax-receipting privileges;
- that is not subject to a security certificate under the *Charities Registration (Security Information) Act*;
- that has no unpaid liabilities under the *Income Tax Act* or *Excise Tax Act*;
- that has filed all of its information returns; and
- of which more than 50% of the members of the board of directors or trustees deal at arm's length with each member of the board of directors or trustees of the revoked charity.

If a charity's registration is revoked, it can apply for re-registration by submitting a completed Form T2050, *Application to Register a Charity Under the Income Tax Act*, together with all the documents and information requested on the form. If applicable, the charity must also pay a \$500 late filing penalty and file all missing information returns. Re-registration will only be granted where the organization meets all of the current registration requirements.

For more information, see guide T4063, *Registering a Charity for Income Tax Purposes*.

#### Note

If the charity is a corporation, it is not required to file a T2 *Corporation Income Tax Return* during the period it has charitable status. Should the charity lose its charitable status, it will be required to resume filing the T2 return. For more information regarding T2 filing requirements with regards to charities, call Business Enquiries at 1-800-959-5525.

#### Reminder

Registered charities can also be subject to other federal or provincial/territorial legislation that is associated with their operations. If a charity is federally, provincially, or territorially incorporated, it must meet certain requirements under the incorporating statute or other statutes that govern its operations. This might include other filing requirements. For more information, contact the provincial, federal, or territorial authority that issued your charity's certificate of incorporation, letters patent, memorandum of association, or other incorporating document. See "Provincial and territorial government contacts," available through our Web site at [www.cra.gc.ca/tx/chrts/cntct/prvncls/menu-eng.html](http://www.cra.gc.ca/tx/chrts/cntct/prvncls/menu-eng.html).

#### Note

Registered charities in the Province of Québec are required to file a provincial annual return (TP-985.22-V). For further information, contact Revenu Québec at 1-800-567-4692.

## What is an information return?

An information return includes:

- Form T3010B (09), *Registered Charity Information Return*, including Schedules 1-6, as required;
- Form TF725, *Registered Charity Basic Information* sheet;
- Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, with all the required information (unless you have included Form RC232-WS);
- Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, with all the required information (if applicable);
- Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable);
- Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable); and
- a copy of the charity's own financial statements (See the Glossary at the end of this guide for an explanation of "Financial statements").

## Note for Registered National Arts Service Organizations (RNASOs)

Under the *Income Tax Act*, RNASOs have the same privileges as registered charities and the same filing requirements. They must file Form T3010B (09), *Registered Charity Information Return*, including Schedules 1-6, as required, Form TF725, *Registered Charity Basic Information* sheet, Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations* (if applicable), Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable), and Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable), along with a copy of their financial statements.

RNASOs should note the following:

- All references to a "charity" on the information return form, the Basic Information sheet, and in this guide extend to RNASOs;
- RNASOs should interpret the term "charitable programs" as the work they carry on to fulfill their purposes; and
- RNASOs are treated as if they were charitable organizations.

## What information on the return is available to the public?

Most of the return, and all of the financial statements filed with it, are available to the public. The public portions of the return itself are available on our Web site at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities).

Confidential data is marked as such and includes the information provided in Section F, Schedule 4, part of Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, and Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*. Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations*, also collects some confidential data, which is discussed in Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, available on our Web site at [www.cra.gc.ca/E/pub/tg/t2082/t2082-07-e.html](http://www.cra.gc.ca/E/pub/tg/t2082/t2082-07-e.html).

The confidential data is only available to authorized representatives of the charity or in specific circumstances as follows:

Under the *Income Tax Act*, the Canada Revenue Agency (CRA) can share some confidential information with other government departments and agencies. The CRA may be required to release confidential information in connection with certain legal proceedings.

Circumstances where the law would require or permit the disclosure of such information include a court order, warrant, or subpoena issued with respect to criminal proceedings initiated under any Act of Parliament, or any legal proceedings relating to the administration or enforcement of the *Income Tax Act*, the *Charities Registration (Security Information) Act*, the *Canada Pension Plan*, the *Unemployment Insurance Act* or the *Employment Insurance Act*, or "any other Act of Parliament or law of a province that provides for the imposition or collection of a tax or duty." Other circumstances where we are required or permitted by law to disclose certain records would include requests made under the authority of the *Auditor General Act*, warrants issued under the *Canadian Security Intelligence Service Act*, and inquiries from the Department of Finance for information "solely for the purposes of the formulation or evaluation of fiscal policy."

## Registered Charity Information Return Summary

We will send you a Form T1242, *Registered Charity Information Return Summary*, to acknowledge that we have received and processed your return. The Summary will also provide you with your capital gains pool calculation, your capital gains reduction calculation, your disbursement quota calculation, and certain reported and recalculated financial totals. This information is calculated based on the amounts the charity has provided on the T3010B (09), *Registered Charity Information Return*.

## General notes on completing the return

First, check **all** the information on Form TF725, *Registered Charity Basic Information sheet*, and make corrections if necessary. Corrections that can be made on this sheet include **changes to the charity's address, telephone number, fax number, email address, Web site address, the name of the public contact person at the charity, the names the charity is known by other than its registered name, and the charity's primary areas of activity**. See page 10-12 for detailed instructions on how to complete this sheet.

Answer every question **that applies to your charity** (see the detailed instructions on how to complete Form T3010B (09), *Registered Charity Information Return*, follow). Except for yes/no questions, if a question does not apply to your charity, leave it blank.

Except for the list of directors/trustees or like officials and the list of qualified donees/amounts provided to other organizations, all requested information must be entered on the return itself (including its schedules).

Report all dollar amounts in Canadian funds in the spaces provided. Do not enter more than one amount in a space. Round all amounts to the nearest **single dollar**; do **not** show cents (e.g., report \$125,754, **not** \$125,753.53).

A director/trustee, or like official, must sign and date the certification area in Section E. See the Glossary at the end of this guide for an explanation of "Like official."

The person who signs Form T3010B (09), *Registered Charity Information Return*, is also certifying the accuracy of Form TF725, *Registered Charity Basic Information sheet*, and all other schedules and attachments.

Mail the return to us with all the required attachments. Keep a copy for your charity's records.

Certain religious organizations meet the criteria for exemption from completing some questions on the return. The religious organization must have existed on December 31, 1977; have never issued any receipts for tax purposes; and have never, directly or indirectly, received gifts from another registered charity that issues official donation receipts.

If, on the Basic Information sheet, there is a message about your charity meeting the criteria for exemption, you do not have to provide the following information on the return:

- Section C, questions 5(b), 7(a), and 7(b);
- Schedule 2, line 200, amounts in the table, and line 230;
- Schedule 3, questions 1(b), 2(b), and 3;
- Schedule 4, amounts in the table in Section 2;
- Schedule 5;
- Section D or Schedule 6; and
- the amounts of gifts and specified gifts to qualified donees, on Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*.

## How to Amend the Return

**I**f you need to make a change to your charity's return **after** you have mailed it, complete and send Form T1240, *Registered Charity Adjustment Request*. This form is available on our Web site at [www.cra.gc.ca/E/pbg/tf/t1240/README.html](http://www.cra.gc.ca/E/pbg/tf/t1240/README.html). If you do not have access to the Internet, or are unable to print this form, contact us.

Mail the adjustment request form to the address given on page 2, or fax it to us at **613-957-8925**. **Keep a copy of the form for your records.**

## Completing Form TF725, *Registered Charity Basic Information*

The *Registered Charity Basic Information* sheet is an integral part of the information return. Attach it to the return when you file it.

Verify the information about your charity, as it reflects what we have in our records. The person who signs Form T3010B (09), *Registered Charity Information Return*, is also certifying that the information on the Basic Information sheet is correct, complete, and up-to-date.

You can change some information directly on the Basic Information sheet in the boxes provided. The information that can be changed includes:

- the mailing address of your charity;
- your charity's telephone number, fax number, email address, and Web site address;
- the name of the public contact person at your charity;
- the names your charity is known by other than its registered name; and
- your charity's primary areas of activity.

We recommend contacting the Charities Directorate if your charity plans to engage in new activities that were not identified in its application for registration, to ensure they qualify as charitable.

Some information cannot be changed directly on the Basic Information sheet. This information includes:

- the name of your charity;
- your charity's designation, registration date, and Business Number (BN)/registration number;
- the date your charity's fiscal period ends.

In these cases, you can only change the information by sending us a letter with supporting documentation. Send the letter and supporting documentation separate from the information return. An authorized representative of your charity must sign the letter.

**If you have already requested changes that do not appear on your *Registered Charity Basic Information* sheet, contact us.**

### Name of registered charity

The name on the Basic Information sheet is the name we have in our records for your charity. If your charity has made any changes to this name, you must send us an official copy of the amendment that reflects the changes to your charity's governing documents. Although your charity's name may have been legally amended, we cannot amend our records until we receive the appropriate supporting documentation.

See the Glossary at the end of this guide for an explanation of "Governing documents" and "Official copy."

### Designation

We designate all registered charities as either:

- a charitable organization;
- a public foundation; or
- a private foundation.

This designation should be the same as on the notice we sent you when your charity was registered or as later changed by us. If you believe your charity's designation should be changed, complete and send us Form T2095, *Registered Charities: Application for Re-Designation*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t2095/README.html](http://www.cra.gc.ca/E/pbg/tf/t2095/README.html).

### Registration date

The registration date is the effective date of your charity's registration. This date should be the same as on the notice we sent you when your charity was registered. However, if your charity's registration was revoked and your charity later applied for re-registration and we granted it, the registration date on the Basic Information sheet will be the effective date of re-registration and not the date your charity was first registered.

### BN/registration number

Your charity's Business Number (BN) is the number on file with the Charities Directorate and includes the account identifier. See the Glossary at the end of this guide for an explanation of "BN/registration number."

### Fiscal period end

A fiscal period is the 12 months (or, for incorporated charities, a period of up to 53 weeks) covered by your charity's financial statements. Many registered charities have a fiscal period that is the same as the calendar year (that is, their fiscal period is from January 1 to December 31); others have a different fiscal period (e.g., ending August 31 or March 31).

The fiscal period **end** is always stated as month and day only (e.g., March 31). The year is not included because, unless formally changed, the fiscal period stays the same year after year. The phrase "fiscal period **ending**" does include the year because it identifies one specific fiscal period that ends in that year.

Under the *Income Tax Act*, a registered charity has to obtain our permission before it changes its fiscal period, since such changes affect the charity's obligations under the *Income Tax Act*. To request a fiscal period change, separate from the return, send us a letter stating the new fiscal period, the reason for the fiscal period change, the effective date of the change, and have the letter signed by an authorized representative of your charity.

When a registered charity changes its fiscal period, it has a transition period that is not a full 12 months. Therefore, it has to file a separate information return for the months of the transition (e.g., if the fiscal period end was December 31

and the charity is changing it to March 31, one return is required for the transition period from January 1 to March 31 and a separate return is required for the fiscal period from April 1 to March 31).

#### **Note**

We cannot process a return for the transition period until the change in fiscal period has been updated in our system. Since a registered charity must receive our approval for the fiscal period change before it can file a return for the transition period, a request should be sent to us as soon as the charity decides to make the change.

The charity may also need to amend its governing documents if a certain fiscal period end is stated (e.g., bylaws state the fiscal period end is December 31, and the charity is changing the fiscal period end to March 31). We will still process this change; however, the charity must amend the date in its governing documents and submit a certified copy to us.

Because we have recently revised Form T3010B (09), *Registered Charity Information Return*, make sure you file the correct form for the calendar year in which your fiscal period end falls.

- Form T3010 applies to the year 2002 and before.
- Form T3010A applies to the year 2003 up to and including fiscal periods that begin before March 23, 2004.
- Form T3010A (05) applies to fiscal periods that begin after March 22, 2004.
- Form T3010B (09) applies to fiscal periods that end on or after January 1, 2009.

### **Telephone number, fax number, email address, and Web site address**

Telephone and fax numbers, as well as email and Web site addresses, will help us to contact you if needed. This information is also valuable to the public who may want to inquire about your charity. If any of this information is incomplete or incorrect, include the correct information in the space provided.

### **Public contact name or position**

The public contact name or position is the person the public can contact for information about your charity (e.g., “Frances Jones” or “Treasurer”).

Make sure the public contact name or the position is current. If the public contact name or the position is not current, use the space provided to make any changes.

### **Names the charity is known by other than its registered name**

Some registered charities use and are widely known by names other than their registered name. For example, people will associate a major fundraising campaign with the charity. If your charity has become well-known by another name or other names, use the space provided to add the name(s). This does not change the charity’s registered name.

## **Program areas**

This section lists the primary fields in which your charity carries on programs. It is based on the information your charity provided when it was registered, or on previous returns.

If your charity’s program areas have changed, or if the percentage of emphasis has changed, provide the most current and correct information in the space provided. To do this, use Table 1 – Field Codes and Program Activities, below. Look under all categories to find an area that adequately describes your charity’s programs. If you cannot find a suitable area, use the “Other” category and describe the program.

After selecting the area that best reflects your charity’s programs during the fiscal period, enter the field code and the description (e.g., F2 – Nursing Homes, H6 – Libraries) in the box provided. A charity active in four or more areas should select its three most significant areas according to the amount of time and resources it devoted to them.

Enter approximate percentages to show how much emphasis your charity gave to each area. We do **not** expect exact figures. Estimate as best you can your charity’s involvement in the various areas. For example, a charity dividing its attention roughly equally between two areas would enter 50% on both lines. The percentages given should reflect the total time and resources used in a program area, including human **and** financial resources.

#### **Note**

The percentage of emphasis that your charity devotes to gifting to qualified donees should only be identified under I1 – “Other” as such.

## **Table 1 – Field Codes and Program Activities**

### **Social services in Canada**

|     |   |
|-----|---|
| A1  | housing (seniors, low-income people, and those with disabilities) |
| A2  | food or clothing banks, soup kitchens, hostels                    |
| A3  | employment preparation and training                               |
| A4  | legal assistance and services                                     |
| A5  | other services for low-income people                              |
| A6  | seniors’ services   |
| A7  | services for the physically or mentally challenged                |
| A8  | children and youth services/housing                               |
| A9  | services for aboriginal people                                    |
| A10 | emergency shelter   |
| A11 | family and crisis counselling, financial counselling              |
| A12 | immigrant aid   |
| A13 | rehabilitation of offenders                                       |
| A14 | disaster relief   |

## International aid and development

- B1 social services (any listed under A1-A13 above)
- B2 infrastructure development
- B3 agriculture programs
- B4 medical services
- B5 literacy/education/training programs
- B6 disaster/war relief

## Education and research

- C1 scholarships, bursaries, awards
- C2 support of schools and education (e.g., parent-teacher groups)
- C3 universities and colleges
- C4 public schools and boards
- C5 independent schools and boards
- C6 nursery programs/schools
- C7 vocational and technical training (not delivered by universities/colleges/schools)
- C8 literacy programs
- C9 cultural programs, including heritage languages
- C10 public education, other study programs
- C11 research (scientific, social science, medical, environmental, etc.)
- C12 learned societies (e.g., Royal Astronomical Society of Canada)
- C13 youth groups (e.g., Girl Guides, cadets, 4-H clubs, etc.)

## Culture, arts

- D1 museums, galleries, concert halls, etc.
- D2 festivals, performing groups, musical ensembles
- D3 arts schools, grants and awards for artists
- D4 cultural centres and associations
- D5 historical sites, heritage societies

## Religion

- E1 places of worship, congregations, parishes, dioceses, fabriques, etc.
- E2 missionary organizations, evangelism
- E3 religious publishing and broadcasting
- E4 seminaries and other religious colleges
- E5 social outreach, religious fellowship, and auxiliary organizations

## Health

- F1 hospitals
- F2 nursing homes
- F3 clinics
- F4 services for the sick
- F5 mental-health services and support groups
- F6 addiction services and support groups
- F7 other mutual-support groups (e.g., cancer patients)
- F8 promotion and protection of health, including first-aid and information services
- F9 specialized health organizations, focusing on specific diseases/conditions

## Environment

- G1 nature, habitat conservation groups
- G2 preservation of species, wildlife protection
- G3 general environmental protection, recycling services

## Other community benefits

- H1 agricultural and horticultural societies
- H2 welfare of domestic animals
- H3 parks, botanical gardens, zoos, aquariums, etc.
- H4 community recreation facilities, trails, etc.
- H5 community halls
- H6 libraries
- H7 cemeteries
- H8 summer camps
- H9 day care/after-school care
- H10 crime prevention, public safety, preservation of law and order
- H11 ambulance, fire, rescue, and other emergency services
- H12 human rights
- H13 mediation services
- H14 consumer protection
- H15 support and services for charitable sector

## Other

- I1 write a description if this category applies.

# Completing Form T3010B (09), Registered Charity Information Return

## Section A – Identification

**A1 – Line 1510** – Check “Yes” if your charity is an internal division, that is, an internal branch, section, or other division of another registered charity. Internal divisions do not have their own governing documents to establish them as separate entities. Rather, they abide by the governing documents of the charity that is their head body.

Also check “Yes” if your charity has its own governing documents but is, at least in some respects, subordinate to another organization. See the Glossary at the end of this publication for information on “Linked charities.”

Provide the name and the Business Number (BN)/registration number of the other registered charity in the boxes provided.

**A2 – Line 1570** – Check “Yes” if your charity is no longer in operation. Attach a letter asking us to revoke your charity’s registration. If you have already submitted this request, contact us to make sure that your charity’s registration has been revoked. If so, your charity will have to file a final return, Form T3010B (09), *Registered Charity Information Return*, as well as Form T2046, *Tax Return Where Registration of a Charity is Revoked*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t2046/README.html](http://www.cra.gc.ca/E/pbg/tf/t2046/README.html). See the guide RC4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4424/README.html](http://www.cra.gc.ca/E/pub/tg/rc4424/README.html) for more information.

Also check “Yes” if your charity is no longer operational due to a merger, amalgamation, or consolidation with another organization. In these situations, call us for advice as to what documentation you have to submit at **1-800-267-2384**.

**A3 – Line 1600** – Check “Yes” if your charity is designated as either a public foundation or a private foundation. This information is located on Form TF725, *Registered Charity Basic Information* sheet, and on the notice we sent you when your charity was registered or as later changed by us. **If “Yes,” you must complete and submit Schedule 1, Foundations.**

## Section B – Directors/trustees and like officials

**Directors/trustees and like officials are required to provide information such as date of birth and home address to facilitate the administration and enforcement of the *Income Tax Act*. The date of birth information allows for identification of directors/trustees and like officials who are fiscally accountable for the management of your charity. This information will remain confidential and will not be made available to the public.**

**B1** – You **must** attach Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, (or a list that includes the same information, or Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, if applicable) with the last name, first name, and initial of each director/trustee and like official, his/her home address (including street number, street name, city, province or territory, and postal code), telephone number, position in the charity, the start and/or end date of the term of office, whether or not he/she was at arm’s length from all other members of the governing board, and his/her date of birth.

Directors/trustees and like officials are persons who have managing authority within your charity. This usually means persons who hold positions identified in your charity’s governing documents, such as chair, vice-chair, treasurer, secretary, or past president. Your charity may have other officials that have governing powers similar to a director or trustee. For example, religious leaders often have some governing authority and would be considered as like officials.

Registered charities that are represented by an institutional trustee (e.g., a bank or financial institution) should fill in this information under the “Last name” field on the form.

To enter this information, complete the worksheet provided with your return (or use another sheet, giving the same information and using the same format), and attach it to the return. Only the “Public Information” is available to the public. The “Confidential Data” is for the CRA’s use only and remains confidential, but can be disclosed under certain circumstances. See the Glossary at the end of this guide for an explanation of “Arm’s length” and “Like official,” as well as “Terms of office” and “Birth dates of directors.”

## Section C – Programs and general information

Sometimes charities go through inactive periods. However, they may want to keep their registered charity status. To keep this status, **they must continue to file information returns.**

An inactive charity is one that did not carry on any programs during the **entire** fiscal period, had little or no income, and did not issue tax receipts. It may have had some assets and liabilities.

**C1 – Line 1800** – Check “Yes” if your charity was active during the fiscal period. **If your charity was inactive, explain why in the “Ongoing programs” space provided at C2.**

**C2** – In the spaces provided, describe the ongoing programs and the new programs your charity carried on.

The term “program” covers all the charitable activities the organization carries out on its own through employees or volunteers, and through intermediaries, as well as gifts it makes to qualified donees.

You may use this space to provide details concerning the contributions of its volunteers in carrying out its programs, including the number of volunteers and their hours. Grant-making registered charities should describe the types of organizations they support.

**Do not send documents such as annual reports in place of describing your charity’s programs in the space provided in question C2. Do not report information on fundraising activities here.**

If your charity is undertaking new programs that we have not yet approved, contact us to discuss before implementation.

Use **active** verbs such as “do,” “offer,” “provide,” “operate,” “conduct,” “perform,” “educate,” “feed,” “give,” or “house” to describe how your charity carried out its charitable programs during the fiscal period. For example:

- operates a recycling service;
- houses and counsels young street persons;
- provides free meals for the homeless on a weekly basis; and
- conducts research aimed at developing less harmful industrial processes.

Provide enough detail for a reader to clearly understand what your charity actually does. For example, simply saying “we advance religion,” or “we relieve poverty” is not recommended. See Table 2 below for an example involving a fictitious religious charity.

**Table 2**

|  |
|--|
| <b>Ongoing programs</b>  |
| We hold worship services weekly.   |
| We provide ministries for women, men, youth, and children, weekly, or monthly.   |
| We provide pastoral care.  |
| We operate a summer camp for recreation and religious programs.                  |
| We operate a food bank, clothing give-away program, and a daycare centre.        |
| We donate funds to denomination headquarters for overseas missionary activities. |
| <b>New programs</b>  |
| We provide a senior care program two times a week.                               |
| We provide a Sunday school bus service for children.                             |

**C3 – Line 2000** – Check “Yes” if your charity made gifts to qualified donees or other organizations. If so, you **must** complete and attach Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*. Using this worksheet, you must provide information concerning resources of the charity transferred as gifts to another organization.

Where a gift has been made to a qualified donee, provide the name(s) of each qualified donee, whether or not the qualified donee is an associated charity, its BN/registration number, the city and province or territory in which the qualified donee is located (or its precise location outside Canada, if it is a qualified donee outside Canada), and the total amount of gifts made to the qualified donee, including the amount(s) of enduring property, specified gifts, and gifts-in-kind. For more information, see “Charitable activities,” available on our Web site at [www.cra.gc.ca/tx/chrts/prtng/ctvts/chrtbl-eng.html](http://www.cra.gc.ca/tx/chrts/prtng/ctvts/chrtbl-eng.html).

If your charity transferred resources to other organizations, enter the name and address of the recipient organizations on the Worksheet and indicate the value of the resources transferred.

Programs carried on abroad should be reported on Schedule 2, *Activities Outside Canada*.

See the Glossary at the end of this guide for an explanation of the terms “Qualified donee,” “Associated charities,” “Enduring property,” and “Specified gift.”

If you prefer, you can submit a separate sheet of paper with the same information using the same format and attach it to the return instead of using Form T1236 (09).

**C4 – Line 2100** – Check “Yes” if your charity carried on, funded, or provided 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, or project outside Canada.

**If “Yes,” you must complete and attach Schedule 2, *Activities Outside Canada*.**

Registered charities can conduct charitable programs outside Canada. To carry on their programs abroad, registered charities can use employees or volunteers posted in other countries, or they can carry on programs through an agent or contractor under an agency agreement, contract, or as a partner in a joint-venture, or similar arrangement, provided that the registered charities exercise control and direction over the programs. They can also make gifts to other qualified donees that conduct their charitable programs outside Canada. These gifts should be recorded at line 5050, 5060, or 5070, as applicable.

For more information about carrying on programs outside Canada, see our publication RC4106, *Registered Charities: Operating Outside Canada*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4106/README.html](http://www.cra.gc.ca/E/pub/tg/rc4106/README.html).

**C5 – (a) - Line 2400** – Check “Yes” if your charity carried out any political activities during the fiscal period. We consider an activity to be political if a charity:

- explicitly communicates a call to **political action** (i.e., encourages the public to contact an elected representative or public official and urges them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country);
- explicitly communicates to the public that the law, policy, or decision of any level of government in Canada or a foreign country should be retained (if the retention of the law, policy, or decision is being reconsidered by a government), opposed, or changed; or
- explicitly states in its materials (whether internal or external) that the intention of the activity is to urge, or organize to put pressure on an elected representative or public official to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country.

Both the common law and the *Income Tax Act* allow registered charities to conduct limited political activities. The law recognizes the historical and continuing role of registered charities in providing informed contributions to the development of public affairs and policy. However, registered charities are not political bodies. Therefore, they face limits on the type and extent of political activities they can pursue.

There are three important restrictions:

- Political activities must be entirely non-partisan in nature. Registered charities must not support or oppose political parties or candidates for public office. For example, a registered charity cannot purchase tickets to a fundraising event held by a political party;
- Disbursements on political activities are allowed only as additional expenditures provided registered charities have satisfied the requirement that they devote substantially all their resources to charitable programs. Registered charities may devote generally no more than 10% of their disbursements to political activities; and

- Political activities must relate directly to the registered charities' purposes. Registered charities are not permitted to commit their resources to campaigning on issues, policies, and laws that are unrelated to their formal purposes. For example, a registered charity established to protect the environment may press a government on its environmental policies but not on an unrelated issue, such as prison reform.

We accept that a charity is not necessarily engaging in a political activity when it addresses a government body or the public at large on legislative and policy matters. Instead, the activity can sometimes form a regular part of its charitable or administrative activities. Examples include:

- conducting day-to-day business with government agencies (e.g., the costs to a hospital of preparing reports for, or meeting with, officials of a ministry of health);
- providing governments or the public with specialized information at the charity's disposal; and
- expressing the charity's views to a governmental body on an issue affecting its ability to carry out its charitable mandate.

For more information, see Policy Statement CPS-022, *Political Activities*, available on our Web site at [www.cra.gc.ca/tx/chrts/plcy/cps/cps-022-eng.html](http://www.cra.gc.ca/tx/chrts/plcy/cps/cps-022-eng.html).

**C5 – (b) - Line 5030** – Enter the total amount of resources spent by your charity on political activities during the fiscal period.

**C6 – Lines 2500 - 2660** – Check **all** applicable fundraising methods used by your charity during the fiscal period. See the Glossary at the end of this guide for an explanation of "Cause-related marketing."

**C7 – Line 2700** – Check "Yes" if any external fundraisers were paid during the fiscal period. This means an individual not employed by your charity, or an outside company specializing in fundraising that solicits funds on your charity's behalf. **If "Yes," you must complete lines 5450, 5460, 2730 through 2790, and Question 1 – Information about Fundraisers, on Schedule 4, Confidential Data.**

**Line 5450** – Enter the amount of gross revenue that the fundraiser(s) collected on behalf of your charity.

**Line 5460** – Enter the amount paid directly to external fundraisers plus any amounts that the fundraisers retained before giving the balance of the funds to your charity.

**Lines 2730 - 2790** – Identify the method of payment to the fundraiser. Check all boxes that apply.

**C8 – Line 3200** – Check "No" if your charity did not provide any payments to its directors/trustees or like officials, or if the **only** payments your charity made to its directors/trustees and like officials were reimbursements or allowances for amounts spent to carry on their duties (e.g., an out-of-town director's accommodation and travel expenses while attending a board meeting).

Generally, a registered charity cannot pay its directors/trustees and like officials simply for occupying their positions. However, a registered charity can pay its directors/trustees or like officials a reasonable amount when they provide services to the charity. **Note that provincial/territorial laws may differ in this regard.** "Provincial and territorial government contacts" can be accessed through our Web site at [www.cra.gc.ca/tx/chrts/cntct/prvnncs/menu-eng.html](http://www.cra.gc.ca/tx/chrts/cntct/prvnncs/menu-eng.html).

**C9 – Line 3400** – Check "Yes" if your charity incurred expenses for compensation of employees during the fiscal period. **If "Yes," you must complete and submit Schedule 3, Compensation.**

**C10 – Line 3900** – Check "Yes" if your charity received any donations or gifts of any kind valued at \$10,000 or more from any donor, individual or otherwise, that was not resident in Canada and was not a Canadian citizen, employed in Canada, a person carrying on business in Canada, or a person that has disposed of taxable Canadian property. See the Glossary at the end of this guide for an explanation of "Donors not resident in Canada."

**If "Yes," you must complete and submit Question 2 – Information about Donors Not Resident in Canada, on Schedule 4, Confidential Data, for each donation of \$10,000 or more.**

**C11 – Line 4000** – Check "Yes" if your charity received non-cash gifts for which it issued tax receipts. **If "Yes," you must complete and attach Schedule 5, Non-Cash Gifts.**

See the Glossary at the end of this guide for an explanation of "Non-cash gift" (gift-in-kind).

**C12 – Line 5800** – Check "Yes" if your charity acquired a non-qualifying security during the fiscal period.

The special provisions governing non-qualifying securities affect the conditions under which a tax receipt may be issued for a particular class of gifts. We recognize that these are complex provisions, and, if necessary, we recommend that registered charities seek advice from their legal or accounting experts. See the Glossary at the end of this guide for an explanation of "Non-qualifying security."

For more information, see Guide RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4108/README.html](http://www.cra.gc.ca/E/pub/tg/rc4108/README.html).

**C13 – Line 5810** – Check "Yes" if your charity allowed a donor to use any of its property (loanbacks) during the fiscal period. We recognize that these are complex provisions, and, if necessary, we recommend that registered charities seek advice from their legal or accounting experts. See the Glossary at the end of this guide for an explanation of "Loanbacks."

For more information, see RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4108/README.html](http://www.cra.gc.ca/E/pub/tg/rc4108/README.html).

**C14 – Line 5820** – Check "Yes" if your charity issued tax receipts for donations on behalf of another organization. For more information, see "Issuing Receipts," available on our Web site at [www.cra.gc.ca/tx/chrts/prtnrg/rcpts/menu-eng.html](http://www.cra.gc.ca/tx/chrts/prtnrg/rcpts/menu-eng.html).

## Section D – Financial information

If **any** of the following applies to your charity, do not complete Section D. You must fill out Schedule 6, *Detailed Financial Information*.

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

### Note

When you complete either Section D or Schedule 6, make sure that you round all amounts to the nearest **single dollar**.

### D1:

**Line 4020** – Check the box that applies to your charity's financial information; whether it is reported on an accrual or cash basis. The accrual basis records revenue in the fiscal period in which the charity earned it, even if the charity receives the revenue after the end of the fiscal period. Similarly, the charity records an expenditure in the fiscal period that the charity incurred it, even if the charity pays this bill in the following period.

Financial information prepared on a cash basis records only revenue or expenditures the charity actually received or paid during the fiscal period.

### D2 – Summary of financial position:

**Line 4050** – Check "Yes" if your charity owns land and/or buildings.

**Line 4200** – Enter the total amount of all of your charity's assets (including land and buildings) at their cost to the charity, or, if an asset was donated, at fair market value at the time the gift was made.

**Line 4350** – Enter the total amount of your charity's liabilities.

### Note

Line 4200 does not have to balance with line 4350. A charity's accounting system will usually have a balancing account such as net assets or surplus.

**Line 4400** – Check "Yes" if your charity borrowed from, loaned to, or invested with any non-arm's length parties in the fiscal period.

### D3 – Revenue:

**Line 4490** – Check "Yes" if your charity issued tax receipts for donations in the fiscal period.

**Line 4500** – Enter the total eligible amount of gifts received by your charity during the fiscal period for which tax receipts were issued (except enduring property). Do not include gifts received from other registered charities.

Report these amounts on line 4510. See the Glossary at the end of this guide for an explanation of "Eligible amount of gift."

**Line 4510** – Enter the total amount received from other registered charities (excluding specified gifts and enduring property).

### Note

Receipts for income tax purposes should **not** be issued for amounts received from other registered charities.

**Line 4530** – Enter the total amount of all other gifts for which an official donation receipt was **not** issued, excluding amounts at lines 4575 and 4630. Include gifts for which your charity did **not** issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections. Do not include revenue from governments or from fundraising on this line.

**Line 4565** – Check "Yes" if your charity received any revenue from any level of Canadian government in the fiscal period, including revenue received from government grants, contributions, and contracts for goods and services provided directly to government on its behalf.

**If "Yes," you must complete line 4570.**

**Line 4570** – Enter your charity's total revenue from government.

**Line 4575** – Enter your charity's total non tax-receipted amounts from all sources outside Canada (both government and non-government).

**Line 4630** – Enter the total amount of non tax-receipted amounts (revenue) from fundraising activities. Do not include revenue for which tax receipts were issued. These amounts should be reported as gifts on line 4500. Include the **gross** amounts your charity received from activities carried on by your charity as well as gross amounts received directly by contracted fundraisers.

**Line 4640** – Enter the gross revenue received from the sale of all goods and services provided to individuals or organizations (except amounts reported on lines 4570 and 4630). This includes revenue received from provision of goods and services as part of your charity's programs. Revenue from goods and services provided to governments should be reported on line 4570. Revenue from the sale of goods and services for fundraising purposes should be reported on line 4630.

**Line 4650** – Enter the total of all other revenue received by your charity that is not already included in the amounts above. You should include any specified gifts and enduring property that your charity received during the fiscal period on this line. Also include any GST/HST and/or PST rebates, if applicable, as well as income from the rental or leasing of any equipment or other resources on this line.

**Line 4700** – Enter the total of lines 4500, 4510, 4530, 4570, 4575, 4630, 4640, and 4650.

### D4 – Expenditures:

**Line 4860** – Enter the total amount paid or incurred for professional and consulting services (e.g., legal, accounting, fundraising).

**Line 4810** – Enter the total amount paid or incurred for travel and vehicle expenses. Include travel and accommodation costs, vehicle costs such as gas, repairs, upkeep, and lease payments.

**Line 4920** – Enter the total expenditures not included on lines 4860 and 4810. This line can include expenditures on charitable programs, grants that must be returned (accrual basis), amounts spent further to a compliance agreement with the Charities Directorate to make up prior year shortfalls, and expenditures made to earn rental income if these can be segregated by your charity.

**Line 4950** – Enter the total of lines 4860, 4810, and 4920.

**Line 5000** – Enter the part of the amount of line 4950 (total expenditures) that represents expenditures for charitable programs. This includes all expenditures essential for your charity to carry out its charitable programs. For example, a hospital would include the salaries not only of the medical and nursing staff who treat the patients, but also of those providing support services that enable the patient to stay in the hospital, such as kitchen and housekeeping staff. This also includes salaries of those who provide the assistance that the doctors and nurses need to perform their healing role, such as laboratory technicians. Also include any disbursements for supplies and equipment that the nurses, kitchen workers, and technicians use.

**Do not include any current expenditures that came from amounts that were accumulated in previous years and used to reduce your charity’s disbursement quota, or any amounts spent on management, administration, fundraising, or political activities on this line.**

**Line 5010** – Enter the part of the amount of line 4950 that represents management and administrative expenditures. This includes all expenditures related to the overall management and administration of your charity. Other examples of expenditures you should include here are the cost of:

- holding meetings of the board of directors;
- accounting, auditing, personnel, and other administrative services;
- purchasing supplies and equipment, and paying occupancy costs for administrative offices; and
- applying for grants or other types of government funding, and/or for gifts from other qualified donees (usually foundations).

Some expenditures can be considered partly charitable and partly management and administration, such as salaries and occupancy costs. In these cases, it will be necessary to divide the amounts accordingly between lines 5000 and 5010. How you account for these expenditures should be reported throughout your charity’s return on a reasonable and consistent basis.

**Line 5050** – Enter the total expenditures for all gifts to qualified donees, excluding amounts that your charity designated as specified gifts.

See the Glossary at the end of this guide for an explanation of “Qualified donee,” and “Specified gift.”

**Line 5070** – Enter the total amount of gifts transferred to qualified donees that your charity designated as specified gifts.

A gift becomes a specified gift if the donor charity identifies it as such on its return (on Form T1236 (09), *Qualified Donee Worksheet/Amounts Provided to Other Organizations*) for the year and informs the recipient charity that it is a specified gift.

**Line 5100** – Enter the total of lines 4950, 5050, and 5070.

## Section E – Certification

The return must be signed by a director/trustee or like official of the charity who is authorized to sign on behalf of the charity. The person signing this return should check all the information to make sure it is correct, complete, and current.

By signing the return, the person certifies “to the best of [his or her] knowledge,” that the charity’s return is correct, complete, and current. This means that the person who signs the return is responsible for obtaining the most accurate information possible to be reported on the return.

Certification applies to all components of the charity’s information return:

- the completed Form T3010B (09), *Registered Charity Information Return*, including all schedules;
- the verified Form TF725, *Registered Charity Basic Information* sheet;
- the completed Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*, or Form RC232, *Ontario Corporations Information Act Annual Return* (if applicable);
- the completed Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable);
- the charity’s own attached financial statements (**the charity’s treasurer should sign any financial statements that have not been professionally prepared**);
- the completed Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, (unless you have included Form RC232-WS) or a list of directors/trustees or like officials, with all required information;
- the completed Form T1236 (09), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, or a list of qualified donees and amounts provided to other organizations, with all required information (if applicable); and
- all other attachments containing required information.

### Note

If you already submitted a request to change information shown on the Basic Information sheet, we consider the certification to be based on those requested changes.

## Section F – Confidential data

The information you provide in this section is confidential and will not be available to the public.

**F1** – In the first column, enter the physical address of your charity. This means the address where your charity is actually located, including the street number; street name; apartment, suite, or lot and concession number; city; province or territory; and postal code. A post office box or a rural route number alone is not sufficient.

In the second column, enter the address in Canada where your charity's books and records are kept. This address must be complete and include the street number; street name; apartment, suite, or lot and concession number; city; province or territory; and postal code. You can include general delivery, post office box, rural route, site, or compartment number as part of the address, but we will not accept this information by itself as a complete address. If the area does not have street names or numbers, provide a description that will easily allow a person to locate the office (e.g., the first green house eastbound on Highway 4 from Oldtown).

### Note

No matter where your charity carries out its activities, it must have books and records available at an address in Canada that would enable an audit to verify:

- the official donation receipts it issued;
- the revenue it received and the expenditures it made;
- that the charity meets all the requirements for continued registration set out in the *Income Tax Act* (the necessary information will vary from charity to charity but could include other financial records, copies of minutes of meetings, correspondence, publicity brochures, and any other documents that provide details about your charity's programs including agreements for programs outside Canada); and
- source deductions and taxes payable.

You can find general information on retaining and destroying records in Information Circular 78-10, *Books and Records Retention/Destruction*, available on our Web site at [www.cra.gc.ca/E/pub/tp/ic78-10r4/README.html](http://www.cra.gc.ca/E/pub/tp/ic78-10r4/README.html).

For further information on books and records, see RC4409, *Keeping Records*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4409/README.html](http://www.cra.gc.ca/E/pub/tg/rc4409/README.html).

**F2** – In the space provided, enter the requested information about the individual who prepared your charity's return.

## Schedule 1, Foundations

**1 – Line 100** – Check “Yes” if your foundation acquired control of a corporation in the fiscal period.

Under the *Income Tax Act*, foundations are generally not allowed to acquire control of any corporation and may be subject to a monetary penalty where they do so. Control usually means that the foundation owns, or the foundation plus persons not dealing with it at arm's length own, more than 50% of a corporation's issued share capital with full

voting rights. However, the foundation will not be considered to have acquired control in the particular fiscal period provided that it has not purchased or otherwise acquired for consideration more than 5% of any class (voting or otherwise) of shares of the corporation.

A foundation that receives a gift of shares in the year that results in the foundation having control of the corporation will only be considered to have acquired control if the foundation, in the current year or previously, bought or otherwise acquired shares for consideration, the cumulative total of which is more than 5% of the issued shares of any class of the capital stock of the corporation. If, in any subsequent year, the same foundation were to buy or otherwise acquire shares of the same corporation for consideration which, when added to any shares previously bought or otherwise acquired for consideration, exceeds 5% of the issued shares of any class of the capital stock of the corporation, the foundation will be considered to have acquired control of the corporation.

A public foundation that has acquired control of a corporation also runs the risk of revocation.

A private foundation that has a divestment obligation percentage at the end of the year in respect of a class of shares of the capital stock of a corporation also runs the risk of revocation. For more information, see Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, on the CRA Web site at [www.cra.gc.ca/E/pub/tg/t2082/README.html](http://www.cra.gc.ca/E/pub/tg/t2082/README.html).

For more information about control of a corporation, see Income Tax Interpretation Bulletin IT-64R4, *Corporations: Association and Control*, available on our Web site at [www.cra.gc.ca/E/pub/tp/it64r4-consolid/it64r4-consolid-e.html](http://www.cra.gc.ca/E/pub/tp/it64r4-consolid/it64r4-consolid-e.html).

**2 – Line 110** – Check “Yes” if your foundation incurred debts other than for current operating expenses in connection with the purchase and sale of investments or in the course of administering charitable programs at any time during the fiscal period.

Public and private foundations are not allowed to incur debts other than in situations described above (e.g., debts to purchase shares for investment purposes).

Debts incurred for current operating expenses are usually short-term debts. This allows a foundation to have accounts payable, such as salaries payable, rent payable, or an amount due on account with their office supplies supplier.

Debts incurred in connection with the purchase and sale of investments allows for miscellaneous types of debts such as brokerage fees or other incidental amounts that relate to the purchase or the sale of investments. It includes money borrowed and used to pay for the investment.

Generally, debts incurred in the course of administering charitable programs must have a direct link to the charitable programs of the foundation. They can include short-term debts, as for current operating expenses, and debts of larger amounts and longer terms such as might be incurred in the purchase of an asset used directly in

charitable programs. An example would be a loan used to purchase a vehicle used to deliver meals to shut-ins as part of your charity's programs.

#### Note

Questions 3 and 4 apply to private foundations only.

**3 – Line 120** – Check “Yes” if your private foundation held any shares, rights to acquire shares, or debts owing to it that could be defined as a non-qualified investment at any time during the fiscal period. See the Glossary at the end of this guide for an explanation of “Non-qualified investment.”

Non-qualified investments (debts, shares, or rights to a share) may result in a tax payable by the debtor or corporation if the private foundation receives interest or dividends on these investments, falling short of an amount based on the prescribed rate (section 4301 of the *Income Tax Regulations*). For more information about this tax and to receive Form T2140, *Part V Tax Return – Tax on Non-Qualified Investments of a Registered Charity*, contact the Charities Directorate or any tax services office.

**4 – Line 130** – Check “Yes” if your foundation owned more than 2% of any class of shares of a corporation at any time during the fiscal period. **If “Yes,” you must complete and attach Form T2081, Excess Corporate Holdings Worksheet for Private Foundations. Only private foundations will have this form included in their return package.**

Refer to Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, for further information on this topic.

## Schedule 2, Activities Outside Canada

**1 – Line 200** – Enter the total expenditures for programs carried on outside Canada during the fiscal period. Include expenditures made directly by your charity to carry on these programs and payments made to other individuals or organizations to carry on these programs. **Do not include gifts made to qualified donees in the amount reported at line 200.**

**2 – Line 210** – Check “Yes” if any of your charity's resources were 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 or amounts provided to other organizations reported on Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*). If “Yes,” in the table, enter the amount of the total reported on line 200 that was transferred to individuals and/or organizations, and the countries in which the activities were carried out, using the country codes listed on the back of the form.

**3** – Identify the countries where your charity itself carried on programs or provided any of its resources using the country codes listed on Form T3010B (09), *Registered Charity Information Return*.

**4 – Line 220 and Line 230** – Check “Yes” if any of your charity's projects undertaken outside Canada are funded by the Canadian International Development Agency (CIDA). If “Yes,” indicate the total amount of funds expended under this arrangement.

**5 – Line 240** – Check “Yes” if your charity's programs outside Canada were carried out by its own employees. A charity's employees are those in positions, and who perform duties, under an employment contract directly funded by the charity itself.

**6 – Line 250** – Check “Yes” if your charity's programs outside Canada were carried out by its own volunteers. The volunteers of a charity are those under the direct supervision of the charity.

**7 – Line 260** – Check “Yes” if your charity's programs include exporting goods outside Canada. If “Yes,” you must report the items being exported, their value, their destination (specify the city/region), and the country in the table provided, using the country codes listed on the back of the form.

## Schedule 3, Compensation

Compensation includes all forms of **salaries, wages, commissions, bonuses, fees, honoraria, etc.**, plus the **value of taxable and non-taxable benefits**. In general terms, it includes all amounts that form part of a recipient's income from employment plus the charity's portion of payments, such as employee's pension, medical or insurance plan, employer CPP and EI contributions, Federal and Provincial income tax, and workers compensation benefits.

**Do not include reimbursements for expenses incurred while working on your charity's behalf, such as travel claims.**

**1(a) – Line 300** – Enter the number of permanent, full-time, compensated positions your charity had in the fiscal period. The number should represent the usual number of positions your charity had, including both managerial positions and others.

**1(b) – Lines 305 - 345** – For the ten highest compensated positions during the fiscal period, enter how many fall within each salary range, regardless of the type of work they perform.

**2(a) – Line 370** – Enter the average number of part-time or part-year employees (e.g., seasonal) your charity employed during the fiscal period.

**2(b) – Line 380** – Enter the total expenditure on compensation for part-time or part-year employees in the fiscal period.

**3 – Line 390** – Enter your charity's total expenditure for all compensation in the fiscal period.

## Schedule 4, Confidential Data

The information reported in Schedule 4 is for the CRA's use but may be shared as permitted by law (e.g., with certain other government departments and agencies).

### Question 1 – Information about Fundraisers

**Provide the name(s) and arm's length status of external fundraiser(s) in the table.** See IT-419R2, *Meaning of Arm's Length*, available on our Web site at [www.cra.gc.ca/E/pub/tp/it419r2/it419r2-e.html](http://www.cra.gc.ca/E/pub/tp/it419r2/it419r2-e.html), for more information on determining arm's length status.

## Question 2 – Information about Donors Not Resident in Canada

On the chart provided in this schedule, you must provide the name of each donor not resident in Canada, unless the donor has met certain legislated criteria, the value of the donation of \$10,000 or more, and whether the donor is an organization, a government, or an individual.

The *Income Tax Act* offers certain protections with respect to the identity of donors making contributions to charity where the donor is a Canadian citizen, or a person employed in Canada, or a person or business carrying on business in Canada, or a person or business that has disposed of taxable Canadian property. Donations from donors who meet any of these criteria should **not** be reported on Schedule 4.

To satisfy this reporting obligation, charities should ensure that they obtain sufficient information to complete this section.

## Schedule 5, Non-Cash Gifts

**1 – Lines 500 - 565** – If your charity received non-cash gifts (gifts-in-kind) for which it issued tax receipts, check **all** the **types** of non-cash gifts your charity received during the fiscal period. Because most of the terms in this question are common, only two are explained here.

**Cultural properties (Line 520)** are properties that the Canadian Cultural Property Export Review Board certifies as being of outstanding significance and national importance to Canada.

### Note

Under the *Income Tax Act*, if a registered charity disposes of a gift of cultural property, within ten years of the certification date, to other than an institution or public authority designated under the *Cultural Property Export and Import Act*, it will be liable to a tax equal to 30% of the object's fair market value on the day of disposition. A charity subject to this tax must complete Form T913, *Part XI.2 Tax Return – Tax for the Disposition of Certain Properties*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t913/README.html](http://www.cra.gc.ca/E/pbg/tf/t913/README.html), and pay the tax within 90 days of the end of its fiscal period.

For more information, see Pamphlet P113, *Gifts and Income Tax*, available on our Web site at [www.cra.gc.ca/E/pub/tg/p113/README.html](http://www.cra.gc.ca/E/pub/tg/p113/README.html), and Interpretation Bulletin IT-407, *Dispositions of Cultural Property to Designated Canadian Institutions*, available on our Web site at [www.cra.gc.ca/E/pub/tp/it407r4-consolid/README.html](http://www.cra.gc.ca/E/pub/tp/it407r4-consolid/README.html).

**Ecological properties (Line 525)** are ecologically sensitive land (including covenants, easements, or in the case of land in Quebec, real servitudes), that the Minister of the Environment, or a person designated by that Minister, has certified as ecologically sensitive and whose conservation and protection is, in the Minister's opinion, important to the preservation of Canada's environmental heritage.

### Note

Under the *Income Tax Act*, if qualified recipients of ecological property dispose of it or change its use without authorization from the Minister of the

Environment, they are subject to a tax equal to 50% of the ecological property's fair market value on the day they disposed of it or changed its use. A charity subject to this tax must complete Form T913, *Part XI.2 Tax Return – Tax for the Disposition of Certain Properties*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t913/README.html](http://www.cra.gc.ca/E/pbg/tf/t913/README.html), and pay the tax within 90 days of the end of its fiscal period.

**2 – Line 580** – Indicate the total eligible amount of tax receipted non-cash gifts. See the Glossary at the end of this guide for an explanation of "Eligible amount of gift."

## Schedule 6, Detailed Financial Information

Complete this section if **any** of the following applies to your charity:

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

**Line 4020** – Check the box that applies to your charity's financial information, whether it is reported on an accrual or cash basis. The accrual basis records revenue in the fiscal period in which the charity earned it, even if the charity receives the revenue after the end of the fiscal period. Similarly, the charity records an expenditure in the same fiscal period that the charity incurred it, even if the charity pays this bill in the following period.

Financial information prepared on a cash basis records only revenue or expenditures the charity actually received or paid during the fiscal period.

## Assets

**Line 4100** – Enter the total amount of cash your charity had readily available at the end of the fiscal period. Include amounts on hand and in bank accounts. Include the value of all short-term investments with an original term to maturity not greater than one year, such as guaranteed term investment certificates, treasury bills, bonds, notes, and all other current investments. Do **not** include investments in non-arm's length parties on this line.

### Note

A negative amount should be reported under liabilities and **not** under assets.

**Line 4110** – Enter amounts owed to your charity by its founders, directors/trustees and like officials, employees, or members, or by any person or organization not at arm's length to these individuals or to your charity. This includes loans, mortgages, or advances and interest receivable on these amounts. It also includes amounts receivable for goods and services purchased or rented by related parties. See the Glossary at the end of this guide for an explanation of "Arm's length."

For more information, see Interpretation Bulletin IT-419, *Meaning of Arm's Length*, available on our Web site at [www.cra.gc.ca/E/pub/tp/it419r2/README.html](http://www.cra.gc.ca/E/pub/tp/it419r2/README.html), and Interpretation Bulletin IT-64 *Corporations: Association and Control*, available on our Web site at [www.cra.gc.ca/E/pub/tp/it64r4-consolid/README.html](http://www.cra.gc.ca/E/pub/tp/it64r4-consolid/README.html).

**Line 4120** – Enter the value of amounts receivable from individuals or other organizations. Amounts receivable include accounts receivable such as funds owing from the provision of goods or services, and the current portion of long-term investments such as loans and mortgages. Long-term investments are investments issued for a term of greater than one year. Do not include any amounts already reported on line 4100 on line 4120. Do not include amounts receivable from non-arm's length individuals or organizations on this line.

**Line 4130** – Enter the total of long- and short-term amounts that your charity has invested with founders, directors/trustees and like officials, non-arm's length employees or members, or any person or organization not at arm's length to these individuals or to your charity. See the Glossary at the end of this guide for an explanation of "Arm's length." These amounts would include limited partnership investments, shares, and investments in Canadian or foreign related corporations. Do not include any amounts already reported on line 4110 on line 4130.

**Line 4140** – Enter the value of all long-term investments. Include the value of all investments that will mature in more than one year, such as the cash-surrender value of life insurance policies, stocks, bonds, notes, shares, debt, loans, mortgages, reserves of gold, diamonds and other precious metals and stones, and all other long-term investments. Do not include amounts receivable from non-arm's length individuals or organizations on this line. Do not include any amounts reported on lines 4120 or 4170. Also, note that you have to report restricted funds on line 4170.

**Line 4150** – Enter the value of inventories. These cover the value of supplies and goods on hand at the end of the fiscal period and available for use in your charity's programs or held for sale (e.g., articles that workers in a sheltered workshop manufacture, religious books or artifacts for sale, educational materials such as books in print or electronic form, medication in a hospital dispensary). Include the fair market value of any donated items held as inventory. Do not include amounts reported on lines 4120 or 4170.

#### Note

For lines 4155, 4160, and 4165, a charity must report its capital assets in Canada at their cost to the charity, or, if the asset was donated, at fair market value at the time the gift was made. The following is to be included in the value of the charity's capital assets:

- The cost of major improvements in order for the charity to use the asset (e.g., land, building) for its intended purpose (e.g., program administration, investment, etc.)

**Line 4155** – Enter the cost or fair market value, as applicable, of all land and buildings in Canada.

**Line 4160** – Enter the value of all other capital assets in Canada. These can include equipment, vehicles, computers, and furniture and fixtures.

**Line 4165** – Enter the value of all capital assets outside Canada. These can include land and buildings, equipment, vehicles, computers, furniture and fixtures. A charity must report its capital assets outside Canada at their cost to the charity, or, if an asset was donated, at fair market value at the time the gift was made.

**Line 4166** – Enter the accumulated amortization of capital assets. Accumulated amortization is the amount of amortization expense that has been claimed since the acquisition of the asset. The value should be negative.

**Line 4170** – Enter the value of any assets your charity has that do not fall under any of the previous categories. Include works of art and other valuables not considered inventory. Prepaid expenses would also be included on this line (accrual basis only). Include your charity's restricted funds such as enduring property on this line. See the Glossary at the end of this guide for an explanation of "Enduring property" and "Restricted funds."

#### Note

A negative amount should be reported under liabilities and **not** under assets.

**Line 4200** – Enter the total of lines 4100 to 4170.

**Line 4250** – Enter the total of any portion of the amounts on lines 4150, 4155, 4160, 4165, and 4170 that your charity did **not** use in its charitable programs.

## Liabilities

**Line 4300** – Enter the value of amounts owing, including salaries owing, the current (short-term) portion of long-term debt obligations such as loans, mortgages, notes, and payments due for goods and services received. Also include any contributions, gifts, and grants payable for charitable programs. Do **not** include any amounts payable to non-arm's length parties.

**Line 4310** – Enter the total of amounts received by your charity to pay for goods or services not yet provided (accrual basis only).

**Line 4320** – Enter the total of amounts owing to non-arm's length parties, including advances, loans, notes, or mortgages owing to founders, directors/trustees and like officials, non-arm's length employees or members, or to any person or organization not at arm's length to these individuals. These also include amounts owing to such persons for goods and/or services received, any rent due for the use of property, and salaries payable. See the Glossary at the end of this guide for an explanation of "Arm's length."

**Line 4330** – Enter the total amount of all other liabilities not included above, such as an unused part of a government grant that your charity must return and long-term debt obligations such as loans, mortgages, and notes.

**Line 4350** – Enter the total of lines 4300 to 4330.

#### Note

Line 4200 does not have to balance with line 4350. A charity's accounting system will usually have a balancing account such as net assets or surplus.

## Statement of Operations

Government rebates such as goods and services tax/harmonized sales tax (GST/HST) and provincial sales tax (PST) should not be included in income to the extent the related tax has not been included as an expense.

If the expenditures reported at lines 4800 through 4920 include GST/HST and/or PST, a charity must report any rebates received on line 4650.

### Note

Pledges are considered revenue only in the fiscal period in which they are honoured.

## Revenue

Except for line 4600, enter gross amounts your charity received. Do **not** deduct any expenditures involved in earning the revenue.

**Line 4500** – Enter the total eligible amount of gifts received by your charity during the fiscal period for which tax receipts were issued. Do not include gifts received from other registered charities. Report these amounts on line 4510. Also, do not include amounts reported on line 5520 here (see line 5520 later in this guide). See the Glossary at the end of this guide for an explanation of “Eligible amount of gift.”

**Line 5610** – Enter the total eligible amount of tax-receipted tuition fees included in line 4500. This amount represents tuition fees (or part of tuition fees) that your charity can acknowledge with an official donation receipt. For more information, see Information Circular 75-23, *Tuition Fees and Charitable Donation Receipts Paid to Privately Supported Secular and Religious Schools*, available on our Web site at [www.cra.gc.ca/E/pub/tp/ic75-23/README.html](http://www.cra.gc.ca/E/pub/tp/ic75-23/README.html).

**Line 5640** – Enter the total eligible amount of tax-receipted enduring property included in line 4500. Enduring property includes a ten-year gift or a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, an RRSP, or a RRIF). See the Glossary at the end of this guide for an explanation of “Enduring property.”

**Line 4510** – Enter the total amount received from other registered charities, excluding specified gifts and enduring property. Note the amount here has changed from previous years. It now **excludes specified gifts and enduring property**.

### Note

Receipts for income tax purposes should not be issued for amounts received from other registered charities.

**Line 4520** – Enter the total amount of specified gifts your charity received from other registered charities. A specified gift can be enduring property. If you receive enduring property as a specified gift, include the amount on this line.

Specified gifts should be labelled as such in both the donor charity’s and recipient charity’s books and records. See the Glossary at the end of this guide for an explanation of “Enduring property” and “Specified gift.”

**Line 4525** – Enter the total amount of enduring property your charity received from other registered charities. This includes, for example:

- a gift received by the charity from another registered charity (donor) that was a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a registered retirement savings plan [RRSP], or a registered retirement income fund [RRIF]) or a ten-year gift of the donor charity at the time the charity received it; and
- a gift received by a charitable organization from another registered charity that is subject to a trust or direction that it cannot be held for more than five years one-to-five year gift) and must be expended in its entirety over the period referred to in the trust or direction:
  - to acquire a tangible capital property to be used directly in charitable activities or administration; and/or
  - in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period following the year in which the gift was received.

A one-to-five year gift is enduring property in the hands of the recipient charity.

If you receive enduring property as a specified gift, do not include the amount on this line; instead include the amount on line 4520.

**Line 4530** – Enter the total amount of all other gifts for which an official donation receipt was **not** issued (excluding amounts at lines 4575 and 4630). Also include gifts for which your charity did not issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections. Do not include revenue from governments or from fundraising on this line.

**Line 4540** – Enter the total revenue received or earned from the federal government. This amount should include all revenue received from federal government grants, contributions, and contracts for goods and services provided directly to the federal government or on its behalf.

**Line 4550** – Enter the total revenue received or earned from provincial/territorial governments. This amount should include all revenue received from provincial or territorial government grants, contributions, and contracts for goods and services provided directly to these governments or on their behalf.

**Line 4560** – Enter the total revenue received or earned from municipal/regional governments. This amount should include all revenue received from municipal or regional government grants, contributions, and contracts for goods and services provided directly to these governments or on their behalf.

**Line 4575** – Enter your charity’s total non tax-receipted amounts from all sources outside Canada (both government and non-government).

**Line 4580** – Enter the total interest and other investment income your charity received or earned during the fiscal period (e.g., interest from bank accounts, mortgages, bonds, and loans). Include all investment income, whether or not your charity received an information slip for the amount, and whether or not your charity received the income from a non-arm’s length individual or organization.

**Note**

An investment loss should not be reported under income. Only income received as interest or from investments should be included at line 4580.

Report all foreign investment income in Canadian dollars. Convert the amount at the exchange rate in effect on the day your charity received the income **or** the rate of exchange in effect at the end of the fiscal period (accrual basis only). Call your local tax services office or your local financial institution for the applicable exchange rates. The exchange rates are also available on the CRA Web site at [www.cra.gc.ca/tx/ndvdl/fq/xchng\\_rt-eng.html](http://www.cra.gc.ca/tx/ndvdl/fq/xchng_rt-eng.html).

**Line 4590** – Enter the gross amount received on disposition of assets. See the Glossary at the end of this guide for an explanation of gross and net “Proceeds of disposition” of assets.

**Line 4600** – Enter the net gain or loss on disposition of assets. Show a negative amount with brackets.

**Line 4610** – Enter the gross income received or earned by your charity from renting its land and buildings. Add all such rents, including those derived from property your charity used in carrying on its charitable programs. For example, include:

- rents from a seniors’ home the charity operated; and
- any rent derived from leasing out surplus space, such as a church parking lot during the week or a university residence during the summer.

When a charity earns rental income on property it does not use for charitable programs, it should provide details on this property in an explanatory note, or appendix to its financial statements.

Report any income your charity earned from leasing out equipment or other resources on line 4650, “Other revenue.”

**Line 4620** – Enter the total revenue received from memberships, dues, and association fees for which your charity did **not** issue a tax receipt.

**Line 4630** – Enter the total amount of non tax-receipted amounts (revenue) from fundraising activities. Do not include revenue for which tax receipts were issued. These amounts should be reported as gifts on line 4500. Include the **gross** amounts your charity received from activities carried on by your charity, as well as gross amounts received directly by contracted fundraisers.

**Line 4640** – Enter the gross revenue received from the sale of all goods and services provided to individuals or organizations (except amounts reported on lines 4540, 4550, 4560, or 4630). This includes revenue received from provision of goods and services as part of your charity’s

programs. Revenue from goods and services provided to governments should be reported on lines 4540, 4550, or 4560. Revenue from the sale of goods and services for fundraising purposes should be reported on line 4630.

**Line 4650** – Enter the total of all other revenue received by your charity not already included in the amounts above. Also include income from the rental or leasing of any equipment or other resources on this line.

**Line 4655** – Specify the type(s) of revenue included in the amount reported at 4650 (e.g., dividends).

**Line 4700** – Enter the total of lines 4500, 4510 to 4580, and 4600 to 4650.

## Expenditures

A charity must keep track of its expenditures during the fiscal period in such a way that it is able to give amounts that are reasonably accurate. A charity cannot arbitrarily allocate its expenditures at the end of the fiscal period. It must be able to justify its amounts.

While the categories on the return may not correspond exactly to the categories used by a charity to record its expenditures, we need to know how much the charity spent on these categories to determine if it meets all of its requirements under the *Income Tax Act*.

The account categories on lines 4800 to 4920 represent common expenditure categories used in accounting systems to record various types of expenditures. The total on line 4950 should represent all expenditures recorded by your charity except gifts to qualified donees.

**Line 4800** – Enter the total amount paid or incurred for advertising and promotion. Include on this line all amounts spent to draw attention to your charity and its programs, including advertising and promotion costs related to fundraising activities. Specific examples include meals and entertainment, seminars, presentation booths, publications, and postage related specifically to fundraising. Report professional and consulting fees on line 4860.

**Line 4810** – Enter the total amount paid or incurred for travel and vehicle expenses. Include travel and accommodation costs, vehicle costs such as gas, repairs, upkeep, and lease payments.

**Line 4820** – Enter the total amount paid or incurred in interest and bank charges (e.g., interest portion of mortgage payments).

**Line 4830** – Enter the total amount paid or incurred for licences, memberships, and dues.

**Line 4840** – Enter the total amount paid or incurred for office supplies and expenses. This includes, for example, postage, minor equipment purchases, meeting expenses (not including accommodation), and the cost of preparing and distributing annual reports. Do not include any amounts reported on line 4800 on this line.

**Line 4850** – Enter the total amount paid or incurred for occupancy costs. This includes rent, mortgage payments, maintenance and repairs, utilities, taxes, and all other costs related to maintaining premises used by your charity. Expenditures related to investment assets should be reported on line 4920.

### Note

If you are claiming mortgage payments on this line, do not claim amortization for the same building on line 4900.

**Line 4860** – Enter the total amount paid or incurred for professional and consulting services (e.g., legal, accounting, fundraising).

**Line 4870** – Enter the total amount paid or incurred for education and training for staff and volunteers. This includes the cost of courses, seminars, conferences, etc.

**Line 4880** – Enter the total amount paid or incurred for all compensation. (Enter the amount reported at line 390 in Schedule 3, if applicable.) See the Glossary at the end of this guide for an explanation of “Compensation.”

**Line 4890** – Enter the fair market value of all donated goods used in charitable programs.

Regardless of which accounting method a charity uses, a donated asset will affect the disbursement quota if a tax receipt was issued for the asset. If the donated asset is being used for charitable programs, the fair market value of that asset should be reported as an expenditure on this line and also on line 5000. Do not include assets that have been capitalized and for which you intend to report amortization on line 4900.

**Line 4891** – Enter the total cost of all purchased supplies and assets. Include all supplies and assets purchased in the fiscal period. Do not include assets that have been capitalized.

**Line 4900** – Enter the total amortization expense for the fiscal period for capitalized assets. Amortization is often referred to as depreciation. A charity that is amortizing assets used in charitable programs should also report this amount on line 5000. If the asset was donated and included on line 4890 at full value, do not include annual amortization on line 4900. Amortization on donated assets reported on line 4890 should not be included because the full value of the donated asset has already been included.

**Line 4910** – Enter the total amount paid for research grants and scholarships that were part of your charity’s programs.

**Line 4920** – Enter the total expenditures **not** included on lines 4800 to 4910. This line can include:

- the costs of producing and selling goods and services the charity does not use, produce, or sell in the context of its charitable work (depending on the reason the goods and/or services are produced, show this amount on line 5010 (administration), 5020 (fundraising) or 5030 (political activities));
- the premiums the charity paid to maintain life-insurance policies that donors have given to the charity – also show this amount on line 5020;
- grants that must be returned (accrual basis) – also show this amount on line 5040;
- amounts spent further to a compliance agreement with the Charities Directorate to make up prior year shortfalls – also show this amount on line 5000;

- the costs of rental property the charity does not use to operate its charitable programs or administration – also show this amount on line 5020; and
- the amount of enduring property (originally received as a specified gift) that was transferred (without being designated as a specified gift) to qualified donees – also show this amount on line 5000 (see the example below).

### Example

Charity A receives a bequest (enduring property) in 2000.

In 2005, Charity A transfers the bequest to Charity B as a specified gift.

In 2008, Charity B transfers the bequest as a gift to Charity C as a regular gift of enduring property.

As Charity B does not have a disbursement quota requirement on the bequest (since it had been received as a specified gift), it cannot show the gift to Charity C on line 5060, as this will trigger the disbursement quota requirement.

Charity B shows the amount of the bequest on line 5000, which gives it credit for the gift to Charity C, and Charity C shows the gift on line 4525.

**Line 4930** – Specify the type(s) of expenditures included in the amount reported at line 4920 (e.g., charitable expenditures not included above).

**Line 4950** – Enter the total of lines 4800 to 4920.

### Note

Lines 5000 to 5040 represent a breakdown of the expenditures on lines 4800 to 4920. The total of lines 5000 to 5030 should normally equal line 4950.

However, a charity will occasionally show an amount on line 5040 (see line 5040 below).

**Line 5000** – Enter the part of the amount of line 4950 that represents expenditures for charitable programs. This includes all expenditures essential for your charity to carry out its charitable programs. For example, a hospital would include the salaries not only of the medical and nursing staff treating the patients, but also of those providing support services that enable the patient to stay in the hospital, such as kitchen and housekeeping staff. This also includes salaries of those providing assistance that the doctors and nurses need to perform their healing role, such as laboratory technicians. Also include any disbursements for supplies and equipment that these nurses, kitchen workers, and technicians use. Include transfers of enduring property as shown in the example at line 4920. Do **not** include any current expenditures that came from amounts that were accumulated in previous years and used to reduce your charity’s disbursement quota. Report these amounts on line 5040. Do **not** include any amounts reported on lines 5010, 5020, 5030, or 5040 on this line.

**Line 5010** – Enter the part of the amount of line 4950 that represents management and administrative expenditures. This includes all expenditures related to the overall management and administration of your charity. Other examples of expenditures you should include here are the cost of:

- holding meetings of the board of directors;
- accounting, auditing, personnel, and other administrative services;
- purchasing supplies and equipment, and paying occupancy costs for administrative offices; and
- applying for grants or other types of government funding, and/or for gifts from other qualified donees (usually foundations).

Some expenditures can be considered partly charitable and partly management and administration, such as salaries and occupancy costs. In these cases, it will be necessary to divide the amounts accordingly between lines 5000 and 5010. How you account for these expenditures should be reported throughout your charity's return on a reasonable and consistent basis.

**Line 5020** – Enter the part of the amount on line 4950 that represents fundraising expenditures. Enter the total expenses your charity paid out for fundraising activities whether carried out by your charity or by contracted fundraisers. Examples of fundraising expenditures are:

- expenditures for conducting fundraising activities, including salaries and overhead costs, promotional materials, campaign supplies, electronic data processing, and year-round office expenses directly related to fundraising;
- expenditures for promoting the charity and its activities to the community primarily for fundraising purposes;
- fees the charity paid to outside fundraising consultants or agencies (or amounts retained by them); and
- postage costs for direct mail canvassing.

Any expenditures made in applying for grants or other types of government funding, and/or for gifts from other qualified donees (usually foundations) should be shown on line 5010.

**Line 5030** – Enter the part of the amount on line 4950 that represents expenditures for political activities, inside or outside Canada.

**Line 5040** – Enter the part of the amount on line 4950 that represents expenditures for other activities. A charity will rarely show an amount on this line (e.g. a grant that must be returned to another registered charity or level of government). Most expenditures should be entered on lines 5000 through 5030.

If you are unsure which line to use to enter an expenditure, call us for advice at **1-800-267-2384**.

**Line 5050** – Enter the total expenditures for all gifts to qualified donees excluding enduring property and amounts that your charity designated as specified gifts.

On line 5050, include:

- gifts to qualified donees (excluding enduring property and specified gifts); and
- a gift made by your charity to a charitable organization that is subject to a trust or direction that it cannot be held for more than five years (one-to-five year gift) and must be expended in its entirety over the period referred to in the trust or direction:
  - to acquire a tangible capital property to be used directly in charitable activities or administration, and/or
  - in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period following the year in which the gift was received.

A one-to-five year gift is enduring property in the hands of the recipient charity.

See the Glossary at the end of this guide for an explanation of "Enduring property," "Qualified donee," and "Specified gift."

**Line 5060** – Enter the total amount of enduring property, excluding amounts your charity designated as specified gifts, that your charity transferred to qualified donees.

Also exclude the amount of enduring property previously received as a specified gift that your charity transferred to qualified donees. Report these amounts on line 4920 and on line 5000 (See the example shown at line 4920).

On line 5060, include:

- a gift received by your charity as a ten-year gift or a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, an RRSP, or a RRIF) that it has transferred by way of gift to a qualified donee; and
- a gift received by your charity from another charity that was a ten-year gift or a bequest or inheritance of the other charity (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, an RRSP, or a RRIF) and that it has transferred to a qualified donee.

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#### Example 1

In 1996, Charity A received \$100,000 as a ten-year gift. In 2006, Charity A transfers the gift to Charity B. Charity A will report \$100,000 on line 5060.

#### Example 2

In 2001, Charity A received shares valued at \$200,000 through a bequest. In 2006, the shares are valued at \$250,000 and are transferred to Charity B. Charity A will report \$250,000 on line 5060. It will also report \$50,000 on line 5720.

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**Line 5070** – Enter the total amount of gifts transferred to qualified donees that your charity designated as specified gifts (including specified gifts of enduring property).

A gift becomes a specified gift if the donor charity identifies it as such on its return (on Form T1236 (09), *Qualified Donee Worksheet/Amounts Provided to Other Organizations*) for the year, and informs the recipient charity that it is a specified gift.

### Example 1

Charity A received a gift that was not designated by the donor charity as a specified gift. When Charity A subsequently transfers the gift to Charity B, Charity A designates the gift as a specified gift. Charity A should include the amount transferred on line 5070.

### Example 2

Charity A received a gift of enduring property that was designated by the donor charity as a specified gift. Charity A subsequently transfers the enduring property to Charity B and designates it as a specified gift. Charity A should therefore include the amount on line 5070.

A gift transferred as a specified gift cannot be used to satisfy the disbursement quota of the donor charity. See the Glossary at the end of this guide for an explanation of “Specified gift.”

**Line 5100** – Enter the total of lines 4950, 5050, 5060 and 5070.

## Other financial information

**Permission to accumulate property:** Only registered charities that have received written permission to accumulate from the CRA should complete lines 5500, 5510, and 5520.

### Note

If a charity decides to abandon a project, it must treat the amount accumulated to date and any income it has earned on this amount as a tax-receipted gift in the year it decides to abandon the project. If the charity does not use the entire accumulated amount before the accumulation period expires, it must treat the unused part as a tax-receipted gift it received in the final year of the accumulation period. In both cases, the charity must consider the total amount **plus** any income when calculating its disbursement quota for the next fiscal period.

If your charity has our written permission to accumulate property, enter the appropriate amounts on the following three lines:

- **Line 5500** – Enter the amount accumulated this fiscal period, including income earned on previously accumulated funds.
- **Line 5510** – Enter the amount spent this fiscal period for the specific purpose for which we have given permission to accumulate property.
- **Line 5520** – Enter the amount deemed to be a tax-receipted gift for the fiscal period. If your charity has abandoned or completed the purpose or project

for which we have given permission to accumulate property, enter the amount of any excess funds remaining which were accumulated for this purpose on line 5520.

See the Glossary at the end of this guide for an explanation of “Accumulated property.”

**Enduring property and the capital gains pool:** During the fiscal period, a charity may have spent enduring property that it received in the current or a previous fiscal period.

The charity needs to keep track of enduring property gifted to the charity (both receipted and non-receipted enduring property) so that when it makes the decision to spend such gifts, it is able to include the amount in calculating its disbursement quota for the fiscal period.

Enduring property may constitute assets such as shares on a designated stock exchange. The substitution of an investment asset for another investment asset will not constitute the expenditure of such property. Also, bequests or inheritances that the charity received prior to 1994 do not have to be included in the disbursement quota when they are spent.

When a charity spends enduring property, it should report the divestment as follows:

1. Enter the amount of enduring property spent (other than enduring property received as a specified gift, or a bequest or an inheritance received by the charity prior to 1994) during the fiscal period on line 5710. The amount to report on this line includes both receipted and non-receipted enduring property spent.
2. Enter the amount of enduring property transferred by way of gift to a qualified donee on line 5060. The capital gains realized on the disposition of enduring property should be reported on line 5720.

### Example

In 2000, the charity was the direct beneficiary of an RRSP and received \$100,000. The charity subsequently substituted the property for shares. In 2006, the charity disposed of the shares to purchase hospital equipment. The proceeds of disposition are \$125,000. The capital gain realized on the disposition of the enduring property is \$25,000. The charity will report \$125,000 on line 5710 and \$25,000 on line 5720.

While the annual calculation of the capital gains pool is voluntary, a charity should nevertheless declare its capital gains realized on the disposition of enduring property which will preserve its right to do the calculation and claim a reduction in the disbursement quota in a subsequent fiscal period.

When a charity realizes a capital gain on the disposition of enduring property (other than a capital gain realized on the disposition of a bequest or an inheritance received by the charity in a fiscal period that included any time before 1994), it should report the capital gain on line 5720.

### Example

In January 2006, the charity received a bequest of \$100,000. The charity subsequently substituted the property for shares. In September 2006, the charity disposes of the shares to acquire new shares. The proceeds of disposition are \$120,000. The capital gain realized on the disposition of enduring property is \$20,000. The charity will report \$20,000 on line 5720. The cost of the new shares is \$120,000.

**Line 5710** – Enter the fair market value amount of enduring property spent (other than enduring property received as a specified gift or a bequest or an inheritance received by your charity prior to 1994) during the fiscal period.

**Line 5720** – Enter the amount of capital gains realized on the disposition of enduring property. Do not enter an amount reflecting a capital loss or a negative amount in this field.

Registered charities generally have a disbursement obligation on enduring property spent or transferred by way of gift to qualified donees. The capital gains reduction allows a charity to use the capital gains from spending or transferring enduring property to assist the charity in meeting its 3.5% disbursement quota obligation. The capital gains reduction is the lesser of the capital gains pool and 3.5% of the amount identified on line 5900 (average value of property not used directly in charitable activities or administration). Where the amount on line 5900 is \$25,000 or less, the 3.5% disbursement obligation is deemed to be nil and as a result, the capital gains reduction is nil. See the Glossary at the end of this guide for an explanation of “Capital gains pool,” “Capital gains reduction,” and “Enduring property.”

If your charity wishes to claim a capital gains reduction that is less than the maximum capital gains reduction available to your charity, check “Yes” at line 5730, and enter the amount from line 11 of Form T1259 (09), *Capital Gains and Disbursement Quota Worksheet*.

Where a charity has identified at line 5720 that it has realized capital gains from the disposition of enduring property in the current year or a prior year, the charity must complete line 5730. Line 5740 should only be completed if the charity wishes to claim an amount that is less than the maximum capital gains reduction available for the fiscal period. Where no response is provided at lines 5730 and 5740, we will calculate the disbursement quota based on the maximum capital gains reduction available to the charity.

If, at a later date, your charity wants to claim a lesser amount, or where an error is made in completing the annual information return, an adjustment can be made to the return by completing Form T1240, *Registered Charity Adjustment Request*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t1240/README.html](http://www.cra.gc.ca/E/pbg/tf/t1240/README.html).

**Line 5730** – If your charity wishes to claim a capital gains reduction that is less than the maximum capital gains reduction available to your charity, check “Yes” at line 5730.

**Line 5740** – Enter the amount from line 11 of Form T1259 (09), *Capital Gains and Disbursement Quota Worksheet*.

**Line 5750** – Enter the amount for which your charity has received our prior approval to make a special reduction to its disbursement quota and treat as an expenditure for this fiscal period.

A charity can apply for approval to have us treat a specified amount as if it was money that the charity had spent on its charitable programs. This provision is available to a charity whose expenditures on charitable programs are reduced by circumstances beyond its control. However, we will only consider giving approval in extraordinary circumstances (e.g., where a charity could not generate enough interest income from investments in order to meet its disbursement quota).

### Note

A charity must use its disbursement excesses from prior years and any excesses from the subsequent year before we consider granting relief.

To apply for approval, use Form T2094, *Registered Charities: Application to Reduce Disbursement Quota*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t2094/README.html](http://www.cra.gc.ca/E/pbg/tf/t2094/README.html).

In the case of micro-lending organizations and certain other entities, we may have pre-approved certain amounts as a special reduction to a charity’s disbursement quota.

In the case of micro-lending organizations, we will consider an amount placed on line 5750 as fulfilling the requirement of subsection 149.1(5) of the *Income Tax Act* for an “application made to the Minister on prescribed form,” as long as “micro-enterprise loans” is written beside the entry on line 5750.

For more information, see RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4108/README.html](http://www.cra.gc.ca/E/pub/tg/rc4108/README.html), and RC4143, *Registered Charities: Community Economic Development Programs*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4143/README.html](http://www.cra.gc.ca/E/pub/tg/rc4143/README.html).

### Property not used in charitable activities or administration:

All registered charities are required to complete this section for fiscal periods that begin after 2008. Registered charities that are designated as charitable organizations and have an effective date of registration that is earlier than March 23, 2004, are exempt from completing this question only for fiscal periods up to 2008.

Property, for purposes of calculating the disbursement quota, includes any real estate or personal property, or part of such property that was not used directly in charitable activities or administration. This may include, for example, cash on hand and in bank accounts, stocks, bonds, GICs, mutual funds, and land and buildings not used directly in charitable activities or administration.

The value of property is an average value based on a specified number of periods over a 24-month period. The number of periods the charity chooses will depend on the accounting method in place and the type of property it holds. Usually, these periods are chosen when the charity files its first annual information return. The number of periods chosen may have a significant impact on the disbursement quota. Once chosen, the charity has to get our written permission to change the number of periods.

For example, if a charity calculates the value of its property only once a year, it will rely on two 12-month periods to establish an average value. If it values its property every six months, then it will rely on four six-month periods to establish an average value.

To establish the average value, first determine the value of your charity's property that is not used directly in charitable activities or administration at the end of each period within a 24-month period. Then add together all of the values from the 24-month period, and divide the total by the number of periods.

### Example 1

Foundation ABC has two assets: a building not used directly in charitable activities or administration and shares in a publicly traded company. The value of the building is the fair market value of the property, while the value of the shares is set by the closing price (or the average of the bid and asking prices) on the stock exchange for the day on which the valuation period ended. See **section 3702** of the *Income Tax Regulations* for details on how to establish the value of assets.

ABC calculates the value of its property not used directly in charitable activities or administration twice a year, that is, every 6 months. Therefore, it uses four periods to establish the value of its assets. For the return for the fiscal period ending December 31, 2008, it should calculate the average value as follows:

|                           | Value of building | Value of shares | Combined value |
|---------------------------|-------------------|-----------------|----------------|
| Value as of June 30, 2006 | \$500,000         | \$90,000        | \$590,000      |
| Value as of Dec. 31, 2006 | \$500,000         | \$100,000       | \$600,000      |
| Value as of June 30, 2007 | \$510,000         | \$110,000       | \$620,000      |
| Value as of Dec. 31, 2007 | \$510,000         | \$120,000       | \$630,000      |
| Value as of June 30, 2008 | \$520,000         | \$130,000       | \$650,000      |
| Value as of Dec. 31, 2008 | \$520,000         | \$140,000       | \$660,000      |

The average value of property for the 24 months before the **beginning** of the fiscal period is \$610,000 (the first four combined values on the chart above, \$590,000 + \$600,000 + \$620,000 + \$630,000 = \$2,440,000, divided by four valuation periods).

The average value of property for the 24 months before the **end** of the fiscal period is \$640,000 (the last four combined values on the chart above, \$620,000 + \$630,000 + \$650,000 + \$660,000 = \$2,560,000 divided by four valuation periods).

The building's value as an investment asset will be less if ABC used part of it in charitable activities or administration. In the above example, if the foundation used 25% of the building in charitable activities or

administration during each valuation period, then it should reduce the value of the building by about 25%.

### Example 2

XYZ was established in 2004 but registered as a charity effective January 1, 2005. It reported on its 2005 fiscal period when it filed its first annual return. In 2003, it did not exist as an entity and thus had no assets. However, the following year it was incorporated and received a gift of securities. XYZ calculated the value of its property not used directly in charitable activities or administration at the end of each fiscal period, that is, every 12 months.

|                           | Value of shares |
|---------------------------|-----------------|
| Value as of Dec. 31, 2003 | \$0             |
| Value as of Dec. 31, 2004 | \$100,000       |
| Value as of Dec. 31, 2005 | \$125,000       |

The average value of property for the 24 months before the **beginning** of the fiscal period was \$50,000 (\$0 + \$100,000 = \$100,000 divided by two valuation periods).

The average value of property for the 24 months before the **end** of the fiscal period was \$112,500 (\$100,000 + \$125,000 = \$225,000 divided by two valuation periods).

**Line 5900** – Enter the average value of property not used directly in charitable activities or administration during the 24 months before the **beginning** of the fiscal period, basing the value on the number of periods chosen by your charity. We will use this amount in the calculation of your disbursement quota requirement for the current fiscal period (see Examples 1 and 2, above).

**Line 5910** – Enter the average value of property not used directly in charitable activities or administration during the 24 months before the **end** of the fiscal period, basing the value on the number of periods chosen by your charity. We will use this amount in the calculation of your estimated disbursement quota requirement for your next fiscal period (see Examples 1 and 2, above).

## Calculating the Disbursement Quota

A registered charity must spend a specific amount each year on charitable programs or as gifts to qualified donees. This amount varies according to the charity's designation and is called its "disbursement quota." The purpose of the disbursement quota is:

- to ensure that most of the charity's funds are used to further its charitable purposes and activities;
- to encourage registered charities not to accumulate excessive funds; and
- to keep other expenses at a reasonable level.

To help registered charities plan their expenditures, the quota is largely based on what happened in previous years. Consequently, at the end of one year, a registered charity should have a fair estimate of how much it will need to spend on its charitable programs the following year.

We will calculate your disbursement quota based on the information you provide in your charity's return and will provide this calculation to you in a Form T1242, *Registered Charity Information Return Summary* (Summary). However, as part of your charity's planning process, you may want to calculate your disbursement quota before receiving our calculation. We have developed a capital gains and disbursement quota worksheet to help you with your calculations. T1259 (09), *Capital Gains and Disbursement Quota Worksheet*, can be found on our Web site at [www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html](http://www.cra.gc.ca/tx/chrts/formspubs/menu-eng.html). The line numbers in the right hand column of the worksheet correspond to those in the Summary. The worksheet is provided **for your use only**. Do not file this worksheet with your return.

See the Glossary at the end of this guide for an explanation of "Capital Gain," "Capital gains pool," "Capital gains reduction," and "Disbursement quota."

## Completing Form T1259 (09), *Capital Gains and Disbursement Quota Worksheet*

This sheet is for your charity's use only. Do not submit it with your return. Your charity will need its previous year's return in order to complete this worksheet.

If your charity completed Schedule 6, *Detailed Financial Information*, you should complete Step 1 of the T1259 (09), *Capital Gains and Disbursement Quota Worksheet*.

You may also complete Steps 2 and 3 to determine if your charity has met its disbursement quota for the year covered by the return, and Step 4 to arrive at an estimate of the disbursement quota for the next fiscal period.

If your charity completed Section D - Financial Information, as opposed to Schedule 6, *Detailed Financial Information*, on the return, you do not have to complete Step 1 as your charity did not dispose of enduring property during the fiscal period. For those charities that completed Section D, enter "0" on the following lines in Steps 2, 3, and 4 on the T1259 (09), *Capital Gains and Disbursement Quota Worksheet*:

- Line 18 – Enduring property spent in fiscal period
- Line 20 – Enduring property transferred to qualified donees
- Line 22 – Enter the amount from line 11 of the Capital Gains Reduction Calculation
- Line 30 – Average value of property
- Line 43 – Enduring property transferred to qualified donees
- Line 44 – Amount of accumulated property for the fiscal period
- Line 45 – Special reduction amount for the fiscal period
- Line 51 – Accumulated property deemed tax-receipted for the fiscal period
- Line 53 – Eligible amount of tax-receipted enduring property for the fiscal period

- Line 62 – Average value of property

## Step 1 – Calculating the Capital Gains Pool and Capital Gains Reduction

A charity that disposes of enduring property to meet its disbursement quota should complete Step 1 to track its capital gains realized on the disposition of enduring property and to determine the amount, if any, it wishes to claim as a capital gains reduction. While the annual calculation of the capital gains pool is voluntary, the charity should nevertheless declare its capital gains realized on the disposition of enduring property (line 5720), which will preserve its right to do the calculation and claim a reduction in the disbursement quota in a subsequent fiscal period.

Step 1 is broken down into two parts, Capital Gains Pool Calculation, and Capital Gains Reduction Calculation.

The charity will begin by entering the capital gains pool opening balance and the amount of capital gains realized from the disposition of enduring property (other than a capital gain from the disposition of a bequest or an inheritance received by the charity in a fiscal period that included any time before 1994). It may then calculate the maximum capital gains reduction for the fiscal period and determine what amount, if any, it wishes to claim as a capital gains reduction.

Once the charity has determined the amount that it wishes to claim as a capital gains reduction (line 11), it will then transfer this amount to:

- line 4 of the Capital Gains Pool Calculation;
- line 22 in Step 2, *Calculating the disbursement quota requirement for the fiscal period covered by the return*; and
- line 5740 in Schedule 6, *Detailed Financial Information*, in its annual information return, if applicable.

## Step 2 – Calculating the disbursement quota requirement for the fiscal period covered by the return

This step helps the charity determine its disbursement quota requirement for the fiscal period.

The first part of the calculation is the total of the following amounts:

- the eligible amount of tax-receipted gifts in the **preceding** fiscal period (except enduring property) (line 4500 minus any gifts of enduring property included in that amount);
- the amount deemed to be a tax receipted gift in the **preceding** fiscal period (line 5520 – funds remaining after the charity has abandoned or completed a capital project which was approved in writing by the CRA);
- fair market value of enduring property spent in the fiscal period (line 5710);
- enduring property transferred to qualified donees in the fiscal period (excluding specified gifts of enduring property) (line 5060); and

- amounts received from other registered charities in the **preceding** fiscal period (excluding specified gifts and enduring property) (line 4510).

The second part of the calculation is the charity's 3.5% disbursement quota requirement on property held by the charity and not used directly in charitable activities or administration.

The second part of the calculation applies only if the **average** value of the property held by the charity exceeds \$25,000 (line 5900). If the average value of the property is \$25,000 or less, the value of the property is deemed to be nil (line 30).

The 3.5% disbursement quota requirement currently applies to all private and public foundations, and to charitable organizations that were registered after March 22, 2004. This requirement is extended to charitable organizations that were registered prior to March 23, 2004, for fiscal periods starting in 2009.

### Step 3 – Calculating whether the registered charity met its disbursement quota requirement

This step helps the charity determine the amount spent during the fiscal period for purposes of the disbursement quota.

The amounts the charity can include in meeting its disbursement quota requirement include:

- amounts spent on charitable programs (line 5000);
- gifts (excluding enduring property and specified gifts) made to qualified donees (line 5050);
- enduring property transferred by way of gift to qualified donees (excluding specified gifts of enduring property) (line 5060);
- the amount accumulated for the fiscal period, including income earned on accumulated funds (line 5500); and
- the special reduction amount approved in writing by the CRA for the fiscal period (line 5750).

The charity has met its disbursement quota requirement where the amount at line 48 equals or exceeds the amount at line 47.

### Step 4 – Estimating the disbursement quota requirement for the next fiscal period

This step is an estimate of a charity's disbursement quota for the next fiscal period.

#### Note

Step 4 does not account for enduring property spent in the next fiscal period or transferred to qualified donees. If a charity spends or transfers enduring property in the next fiscal period, this will affect the estimate of the disbursement quota requirement.

The first part of the calculation for next year is the total of:

- the eligible amount of all donations for which the charity issued tax receipts (except enduring property) in the

**current** fiscal period (line 4500 minus any gifts of enduring property included in that amount);

- the amount deemed to be a tax receipted gift for the **current** fiscal period (line 5520); and
- amounts received from other charities (excluding specified gifts and enduring property) in the **current** fiscal period (line 4510).

The second part of the calculation applies only if the **average** value of the property held by the charity exceeds \$25,000 (line 5910). It is based on the charity's 3.5% disbursement quota requirement on property held by the charity and not used directly in charitable activities or administration. Where the average value of property is \$25,000 or less, the value of the property is deemed to be nil (line 62).

The 3.5% disbursement quota requirement applies to private and public foundations, and to charitable organizations that were registered after March 22, 2004. This requirement is extended to charitable organizations that were registered prior to March 23, 2004, for fiscal periods starting in 2009.

### Keeping track of disbursement excesses

The purpose of this table is to help the charity keep track of the charity's disbursement excesses.

The first two columns list the excesses by the year in which they occurred. The middle column identifies which disbursement excesses the charity is using, in whole or in part, to compensate for a disbursement shortfall in this fiscal period. The right-hand column reports the unused excesses still available for future years.

Because any particular year's excess is only available for five years, a registered charity that is drawing on its excesses should use up its oldest excesses first.

## Glossary

**T**he terms included here are intended to provide an overview and, as such, are not comprehensive. For further information, where applicable, refer to the definitions of these terms in the *Income Tax Act*, or to the links provided below.

### Accumulated property/Accumulation of funds

Sometimes registered charities will want to set aside funds to make certain major expenditures, such as the purchase of a building or costly equipment, at some future date. By saving the funds rather than spending them on charitable programs, the charity may have difficulty meeting its disbursement quota. If that is the case, the charity may want to take advantage of a special provision of the *Income Tax Act* to accumulate property. Under this provision, amounts are considered applied against the disbursement quota as they are saved rather than when they are actually spent.

To accumulate property, a registered charity must apply in writing to us for permission. The letter must specify the amount of funds the charity wishes to accumulate, how long the charity will need to accumulate the funds, and why the charity wishes to accumulate these funds. Permission to accumulate is not granted for a period of less than three years. We will confirm permission to accumulate property in writing. For more information, see Policy Commentary CPC-005, *Accumulation of Property*, available on our Web site at [www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-005-eng.html](http://www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-005-eng.html).

### Adjusted cost base

Generally, this is the amount the charity originally paid for capital property, plus the costs (such as legal fees or surveys) associated with the purchase, plus the cost of improvements to the property.

### Agency agreement

A registered charity can formally enter into a contract with a person or group to act as its representative in carrying out specifically identified tasks on behalf of the charity. For more information, see Guide RC4106, *Registered Charities: Operating Outside Canada*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4106/README.html](http://www.cra.gc.ca/E/pub/tg/rc4106/README.html).

### Arm's length

The term "at arm's length" describes a relationship where persons act independently of each other or are not related. The term "not at arm's length" means persons acting in concert without separate interests or who are related.

Related persons are individuals who are related to each other by blood, marriage, or common law partnership, or adoption. Examples of blood relatives include grandparents, parents, brothers, sisters, and children. Examples of persons related by spousal relationship include the grandparents of a spouse, the parents of a spouse, the brothers and sisters of a spouse, the spouse of a child, and the spouse of a grandchild. Generally, in determining arm's length relationships, common law partners are treated in the same way as legally married spouses. Adopted children are treated in the same way as blood-related children.

Related persons also include individuals or groups and the corporations in which they have a controlling interest. Persons related to these individuals or groups are also considered related to those corporations.

For more information on arm's length, see Interpretation Bulletin IT-419, *Meaning of Arm's Length*, available on our Web site at [www.cra.gc.ca/E/pub/tp/it419r2/README.html](http://www.cra.gc.ca/E/pub/tp/it419r2/README.html).

### Associated charities

Associated charities are two or more registered charities that have applied for and received this designation from us. Associated charities can pass funds among themselves without being affected by the usual limitation placed on gift making by charitable organizations.

The *Income Tax Act* generally requires that charitable organizations spend no more than half their income as gifts

to qualified donees, otherwise they will be re-designated as public foundations.

You must obtain written permission from us to have an associated status designation. To obtain associated status, complete and send us Form T3011, *Registered Charities: Application for Designation as Associated Charities*, available on our Web site at [www.cra.gc.ca/E/pbg/tf/t3011/README.html](http://www.cra.gc.ca/E/pbg/tf/t3011/README.html).

### Bequests

A bequest is property a charity receives from the will of a deceased person. Bequests are one form of enduring property. See "enduring property" for further information.

### Birth dates of directors

Providing the date of birth for each director/trustee/like official is mandatory. Obtaining dates of birth provides the CRA with a means of identifying, with certainty, the directors/trustees/like officials who are responsible for managing a charity. Only a director's name, position in the charity, and arm's length status to other directors/trustees/like officials will become public information. Other information, including date of birth, is not part of the public portion of Form T3010B (09), *Registered Charity Information Return*, and will be kept confidential.

### BN/registration number

The BN is used by the federal government to identify organizations and the various program accounts they have. A complete BN has two parts: the registration number (first nine digits) and the account identifier (two letters and four digits). The registration number is the same for all accounts you have with the federal government. The account identifier is assigned by the Canada Revenue Agency for each of its business programs including corporate income tax, import/export, payroll deductions, goods and services tax/harmonized sales tax (GST/HST), and registered charities. The registered charity account identifier always starts with the letters "RR."

When you deal with the Charities Directorate, you must use the RR number designation. If you are unsure of your charity's number, contact us.

### Capital gain

A capital gain is realized when a capital property (e.g., share, land) is sold or considered to have been sold for **more** than the total of its adjusted cost base and the outlays and expenses incurred to sell the property. Outlays and expenses include fixing-up expenses, finders' fees, commissions, brokers' fees, surveyors' fees, legal fees, transfer taxes, and advertising costs.

### Capital gains pool

The definition "capital gains pool" applies for the purpose of the definition "disbursement quota," and is applicable to fiscal periods that begin after March 22, 2004.

The capital gains pool of a charity for a fiscal period is the amount by which the total amount of declared capital gains of the charity from the disposition of enduring property

(other than a capital gain from the disposition of a bequest or an inheritance received by the charity in a fiscal period that included any time before 1994) after March 22, 2004, exceeds the amount claimed by the charity as a capital gains reduction.

The annual calculation of the capital gains pool is voluntary, nevertheless the charity should declare its capital gains realized on the disposition of enduring property which will preserve its right to do the calculation and claim a reduction in the disbursement quota in a subsequent fiscal period.

## Capital gains reduction

The capital gains reduction is a calculation that allows a charity to use its capital gains from the disposition of enduring property to assist it in meeting the element of its disbursement quota obligation based on the average value of its assets not used directly in charitable activities or administration.

If the amount identified on Form T3010B (09), *Registered Charity Information Return*, line 5900 (i.e., the average value of property owned by the charity at any time in the 24 months immediately preceding the fiscal period that was not used directly in charitable activities or administration) is \$25,000 or less, the capital gains reduction is deemed to be nil.

Where the amount at line 5900 is more than \$25,000, the capital gains reduction is the lesser of:

- 3.5% of the amount at line 5900; and
- the capital gains pool of the charity for the fiscal period.

## Capital property

This includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property is often bought for investment purposes or to earn income or to carry out charitable programs. It does not include trading the assets of a business, such as inventory. Some common types of capital property include:

- securities, such as stocks, bonds, and units of a mutual fund trust; and
- land, buildings, and equipment used in a business or a rental operation.

For more information, see Pamphlet P113, *Gifts and Income Tax*, available on our Web site at [www.cra.gc.ca/E/pub/tg/p113/README.html](http://www.cra.gc.ca/E/pub/tg/p113/README.html), and the Guide T4037, *Capital Gains*, available on our Web site at [www.cra.gc.ca/E/pub/tg/t4037/README.html](http://www.cra.gc.ca/E/pub/tg/t4037/README.html).

## Cause-related marketing

Cause-related marketing (sometimes called social marketing) is a venture with a non-charitable partner to promote the sale of items or services on the basis that a portion of the revenues will be directed to a charity or charities.

## Compensation

Compensation for persons (employees) working full-time or part-time for a registered charity includes salaries, wages, commissions, bonuses, fees, and honoraria, plus the value of taxable and non-taxable benefits.

## Debts

Under the *Income Tax Act*, the Minister may revoke the registration of a public or private foundation where the foundation has incurred debts since June 1, 1950, other than: (1) debts for current operating expenses, (2) debts incurred in connection with the purchase and sale of investments, and (3) debts incurred in the course of administering charitable activities.

## Directors/trustees

Directors and trustees are persons who make up the charity's elected or appointed governing body. This generally means persons who hold positions identified in the charity's governing documents, such as chair, treasurer, secretary, or past president. The charity's governing board likely includes all its directors and trustees.

## Disbursement quota

The disbursement quota is the minimum amount a registered charity has to spend on charitable activities or gifts to qualified donees to keep its registered status. In general, it is an expenditure test based on tax-receipted gifts and amounts received from other registered charities in the previous fiscal period. The value of enduring property spent in the fiscal period or transferred to qualified donees as well as certain properties must also be considered.

The purpose of the disbursement quota is to ensure that registered charities actively use their tax-assisted donations to help others according to their charitable purposes.

There are 4 elements to a registered charity's disbursement quota: A + A.1 + B + B.1. Described in very general terms, they represent the following:

A – 80% of the eligible amount of tax-receipted gifts in the previous fiscal period (excluding enduring property or amounts received from registered charities).

A.1 – 80% of the amount of enduring property spent in the fiscal period **PLUS** 100% of the fair market value of enduring property transferred by way of gift to a qualified donee in the fiscal period. If a charity claims a capital gains reduction, the reduction applies to this amount.

B – amounts received from registered charities in the previous fiscal period (80% for both charitable organizations and public foundations, and 100% for private foundations) excluding specified gifts or enduring property.

B.1 – the 3.5% disbursement requirement =  $C \times 0.035 [D - (E + F)] / 365$

C – number of days in the fiscal period

D = average value of property owned by a charity and not used directly in charitable activities or administration at any time in the 24 months immediately preceding the fiscal period

E = 100% of previous fiscal period's eligible amount of tax-receipted gifts (A) **PLUS** 100% of the fair market value of enduring property transferred or the amount spent in the fiscal period (A.1)

F = 100% of amounts received from other registered charities in the previous fiscal period (B)

## Donors not resident in Canada

Where a donor residing outside of Canada has donated \$10,000 or more, the donation **must be reported** on Schedule 4 of Form T3010B (09), *Registered Charity Information Return*, unless the donor meets certain legislated criteria.

The *Income Tax Act* offers certain protections with respect to the identity of donors making contributions to charity where the donor is a Canadian citizen, or a person employed in Canada, or a person or business carrying on business in Canada, or a person or business that has disposed of taxable Canadian property. Donations from donors who meet any of these criteria should **not** be reported on Schedule 4.

However, where a gift is received by a charity from any donor, individual or otherwise, who does not meet any of these criteria, the charity must report to the CRA the identity of the donor, the amount of the gift, and whether the donor is an individual, organization, or government body.

To satisfy this reporting obligation, charities should ensure that they obtain sufficient information to complete Schedule 4 of Form T3010B (09), *Registered Charity Information Return*.

## Eligible amount of gift

This is the amount by which the fair market value (FMV) of the gifted property exceeds the amount of an advantage, if any, in respect of the gift.

The advantage is generally the total value of all property, services, compensation, or other benefits that a person is entitled to receive as partial consideration for, in gratitude for, or is in any other way related to the gift. The advantage may be contingent or receivable in the future, either by the donor or a person or partnership not dealing at arm's length with the donor.

An advantage also includes any limited-recourse debt in respect of the gift.

For more information, see RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4108/README.html](http://www.cra.gc.ca/E/pub/tg/rc4108/README.html), Pamphlet P113, *Gifts and Income Tax*, available on our Web site at [www.cra.gc.ca/E/pub/tg/p113/README.html](http://www.cra.gc.ca/E/pub/tg/p113/README.html), and *Income Tax Technical News*, Issue 26, available on our Web site at [www.cra.gc.ca/E/pub/tp/itnews-26/README.html](http://www.cra.gc.ca/E/pub/tp/itnews-26/README.html).

## Employees

Employees are individuals who are hired under an employment contract to perform specific duties under the management of the charity. The earnings from employment contracts in Canada are considered employment income and are subject to Canada Pension Plan, Employment Insurance, and income tax deductions.

## Enduring property

The definition "enduring property" applies for the purpose of the definition "disbursement quota." The enduring property of a registered charity generally includes:

- a gift received by way of bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, a registered retirement savings plan, or a registered retirement income fund);
- a gift received by a charitable organization from another registered charity that is subject to a trust or direction to the effect that the property given, or property substituted for the gift,
  - is to be held by the charitable organization for a period of not more than five years from the date the gift was received by the charitable organization, and
  - is to be expended in its entirety over the period referred to in the trust or direction to acquire a tangible capital property to be used in charitable activities or administration, and/or in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first fiscal period following the year in which the gift was received;
- ten-year gifts;
- a gift received by a charity from another charity that was a bequest or inheritance (which may include direct distributions of proceeds to a registered charity that is the designated beneficiary of a life insurance policy, an RRSP, or a RRIF) of the other charity; and
- a gift received by a charity from another charity that was a ten-year gift or a one to five year gift of the other charity and is subject to the same condition and original term of the gift.

Gifts of enduring property are generally excluded from the charity's disbursement quota in the year they are received. However, the charity may subsequently have to consider these gifts when calculating the value of property for its 3.5% disbursement requirement.

When the charity spends or transfers some or all of the enduring property, the amount spent or transferred must be included when calculating the disbursement quota requirement. However, specified gifts of enduring property are exempt from the disbursement quota requirement. See "Specified gifts," below.

## Excepted gift

See definition under “Non-qualifying security,” below.

## Fair market value

Fair market value is usually the highest dollar value you can get for property in an open and unrestricted market between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other.

For more information, see Pamphlet P113, *Gifts and Income Tax*, available on our Web site at [www.cra.gc.ca/E/pub/tg/p113/README.html](http://www.cra.gc.ca/E/pub/tg/p113/README.html).

## Financial information

If any of the following distinctions apply to your charity, **you must complete Schedule 6**. If none of the following apply, do not complete Schedule 6. Complete Section D instead.

1. The charity’s revenue exceeds \$100,000 – this is the total of **all** revenue received, including tax-receipted gifts, income from related business activities, funding from government, etc.
2. The amount of all assets not used in charitable programs exceeds \$25,000 – this may include, for example, cash on hand and in bank accounts, stocks, bonds, GICs, mutual funds, and land and buildings not used directly in charitable activities or administration.
3. The charity currently has permission to accumulate funds during this fiscal period. A registered charity that has permission to accumulate funds will have received this permission in writing from CRA. For more information, see Policy Commentary, CPC-005 *Accumulation of Property*, available on our Web site at [www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-005-eng.html](http://www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-005-eng.html).
4. The charity has spent or transferred enduring property during this fiscal period. For more information on enduring property, see “Enduring property” above.

## Financial statements

At a minimum, financial statements consist of a statement of assets and liabilities **and** a statement of revenue and expenditures for the fiscal period. They should show the different sources of a charity’s revenue and how it spent its money. The CRA recommends that charities file audited financial statements if their gross income from all sources is more than \$250,000. **The charity’s treasurer should sign any financial statements that have not been professionally prepared.**

## Full-time (permanent) position

A full-time (permanent) position refers to continuous service in an office or position. An employee should be considered full-time (permanent) if the employee works, throughout the year, all or substantially all of the typically scheduled hours of work established for persons in that class of employees.

## Gift

In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. However, under proposed legislation, for gifts made after December 20, 2002, a transfer of property for which the donor received an advantage will still be considered a gift for the purposes of the *Income Tax Act* as long as we are satisfied that the transfer of property was made with the intention to make a gift. The existence of an advantage will not necessarily disqualify the transfer from being a gift if the amount of the advantage does not exceed 80% of the fair market value of the transferred property.

For gifts made after December 20, 2002, it is the eligible amount of the gift that is used to calculate the donor’s donation tax credit or deduction.

For more information see Pamphlet P113, *Gifts and Income Tax* available on our Web site at [www.cra.gc.ca/E/pub/tg/p113/README.html](http://www.cra.gc.ca/E/pub/tg/p113/README.html) and *Income Tax Technical News*, Issue 26, available on our Web site at [www.cra.gc.ca/E/pub/tp/itnews-26/README.html](http://www.cra.gc.ca/E/pub/tp/itnews-26/README.html).

## Gifts-in-kind

See “Non-Cash Gift,” below.

## Governing documents

These are the documents that formally establish an organization and govern its operations. Some examples of governing documents are letters patent, certificates of incorporation, memorandum or articles of association, constitutions, trust documents, and by-laws. If your charity has amended its governing documents, send an official copy in a separate envelope. See “Official copy” below, for more information.

## Internal division

An internal division is an internal branch, section, or other division of a charity. An internal division does not have its own governing documents.

## Joint venture

A registered charity can decide to pool its resources with other entities that may not be qualified donees in order to establish and operate a charitable program. The charity will be considered to be carrying on its own activities providing it is an active partner exercising a degree of control that is at least proportionate to the resources it provides to the venture. In these situations, the CRA strongly recommends that the charity put a formal agreement in place as evidence that it retains direction and control over its resources, and is an active participant in a joint venture that directly furthers its charitable purpose.

## Like official

A like official is a person who has governing responsibilities for the charity similar to those of a member of the governing board or a trustee. This should be interpreted broadly to include anyone having control and management of the administration of the charity. For example, religious leaders often have some governing authority and would be considered as like officials.

## Linked charities

A linked charity is a charity with its own governing documents that is, at least in some respects, in a subordinate position to a head body.

The head body usually has policies that govern the charitable programs the linked charities deliver, and that regulate their administrative and financial affairs. It may also require dues from the linked charities.

## Loanbacks

Special loanback rules may apply to reduce the fair market value of a gift in the following cases.

In the first case, a donor makes a gift and within 60 months of making the gift, the charity holds a non-qualifying security of the donor (see definition of “non-qualifying security”) that was acquired by the charity no earlier than 60 months before the gift was made. In this case, the fair market value of the gift is reduced by the fair market value of the consideration given by the charity to acquire the non-qualifying security.

In the second case, a donor makes a gift and within 60 months of making the gift, the following things happen:

- the donor, or a person or partnership not dealing at arm’s length with the donor, uses property of the charity under an agreement made no earlier than 60 months before the gift was made. However, donors can use property that the charity uses to deliver its programs without the loanback provisions affecting them (e.g., a hospital’s emergency department, a place of worship); and
- the property is not used in the charity’s charitable activities.

Here, the fair market value of the gift is reduced by the fair market value of the property used, even if the donor is compensating the charity for the right to use the property.

In either of these cases, the charity may issue an official donation receipt for the gift, however, it must reduce the amount by the fair market value of the consideration given to acquire the non-qualifying security or by the fair market value of the charity’s property the donor was allowed to use, as the case may be.

If the gifted property is a non-qualifying security, the gift must be an excepted gift (see definition under non-qualifying security) before these special loanback rules will apply. Otherwise the rules relating to a donation of a non-qualifying security apply. See “Non-qualifying security” below, for more information.

## Non-arm’s length/ Not at arm’s length

See “arm’s length,” above.

## Non-cash gifts (tax-receipted)

Non-cash gifts, also known as “gifts-in-kind,” are gifts of property. They are items such as artwork, equipment, securities, and cultural and ecological property.

A contribution of service, that is, of time, skills, or effort, is not property and, therefore, does not qualify as a gift

or non-cash gift for purposes of issuing official donation receipts.

For more information, see Pamphlet P113, *Gifts and Income Tax* insert available on our Web site at

[www.cra.gc.ca/E/pub/tg/p113/README.html](http://www.cra.gc.ca/E/pub/tg/p113/README.html) and *Income Tax Technical News*, Issue 26, available on our Web site at [www.cra.gc.ca/E/pub/tp/itnews-26/README.html](http://www.cra.gc.ca/E/pub/tp/itnews-26/README.html).

## Non-qualified investment

This applies to private foundations only.

A non-qualified investment is:

1. a debt, other than a pledge or an undertaking to make a gift, owing to the foundation by:
  - a) a person, other than an “excluded corporation,” see below, who:
    - i) is a member, shareholder, trustee, settlor, officer, official, or director of the foundation;
    - ii) has contributed more than 50% of the foundation’s capital or who is a member of a group of persons not dealing with each other at arm’s length who have contributed more than 50% of the foundation’s capital; or
    - iii) does not deal at arm’s length with any person described in i) or ii);
  - or**
  - b) a corporation, other than an “excluded corporation,” controlled by:
    - i) the foundation;
    - ii) any person or group of persons described in a) above;
    - iii) the foundation and any other private foundation with which it does not deal at arm’s length; or
    - iv) any combination of i), ii), and iii);
2. a share of a class of the capital stock of a corporation, other than an “excluded corporation,” described in 1 above that the foundation holds. However, the law excludes from non-qualified investments any share listed on a **designated stock exchange** or a prescribed share of the capital stock of a taxable Canadian corporation;
3. a right the foundation holds to acquire a share described in 2 above.

An excluded corporation is:

- a limited dividend housing company to which paragraph 149(1)(n) of the *Income Tax Act* applies;
- a corporation whose issued shares are all held by the private foundation; or
- a corporation, all of the property of which is used by a registered charity in its administration or in carrying on its charitable activities.

## Non-qualifying security

In general terms, a non-qualifying security refers to:

- certain obligations (such as a promissory note) of a donor or the donor's estate or any person or partnership not dealing at arm's length with the donor or the donor's estate;
- a share in a corporation that the donor or the donor's estate does not deal with at arm's length;
- any other security issued by the donor or the donor's estate or by any person or partnership not dealing at arm's length with the donor or the donor's estate.

The securities and obligations described above do not include those listed on a designated stock exchange. Special rules also apply with respect to trusts.

A registered charity can acquire a non-qualifying security either by receiving one as a gift or by buying one (or giving something in exchange for it).

When a charity receives a non-qualifying security as a gift, it should record the security's "fair market value" at that time for future reference.

A charity can issue a tax receipt to the donor of a non-qualifying security only if the security is an excepted gift. Otherwise one of two things must happen in the 60 month period after the non-qualifying security is acquired before a receipt can be issued:

- the charity disposes of the non-qualifying security. In this case, the fair market value of the gift is generally the lesser of the fair market value of the consideration received by the charity on disposition and the fair market value of the security at the time it was gifted; or
- the security ceases to be a non-qualifying security (e.g., if a privately held company goes public and its shares become listed on a designated stock exchange). In this case, the fair market value of the gift is generally the lesser of the fair market value of the security at the time it ceased to be a non-qualifying security and the fair market value of the security at the time it was gifted.

After the 60 month period, the charity can never issue a receipt for the non-qualifying security.

A non-qualifying security is considered to be an **excepted gift** if it meets all of the following criteria:

- it is a share;
- the charity that receives the non-qualifying security is not a private foundation;
- the donor is at arm's length to the charity; and
- the donor is at arm's length to each of the charity's directors/trustees, officers and like officials.

For more information, see RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4108/README.html](http://www.cra.gc.ca/E/pub/tg/rc4108/README.html).

## Official copy

What we consider an "official copy" of the governing documents depends on how the charity is formed.

If the charity is incorporated, the appropriate provincial or federal incorporating authority usually has to approve changes to the charity's governing documents. In this case, the official copy we want is a photocopy of the amending documents displaying the stamp or other approval mark from the incorporating authority.

If the charity is not incorporated, the official copy we want is a photocopy of the amended documents showing the date the documents came into effect. Two people who are directors, trustees, or like officials of the charity must sign the photocopy. Also see "Governing documents," above.

## Official donation receipt

Registered charities can issue official donation receipts (also referred to in this guide as "tax receipts") to acknowledge gifts. These reduce the individual donor's income tax payable, and reduce the taxable income of a corporate donor. An official donation receipt is subject to particular requirements under the *Income Tax Regulations* including identification that it is an official receipt for income tax purposes. See the definition "eligible amount of gift" for further information. To view sample receipts visit our Web site at [www.cra.gc.ca/tx/chrts/pbs/rcpts-eng.html](http://www.cra.gc.ca/tx/chrts/pbs/rcpts-eng.html).

Note that registered charities issue other forms of receipts to acknowledge acceptance of services or items that are not gifts. These are not tax receipts and should be clearly distinguished from the tax receipts issued to acknowledge gifts. Contributions of services, that is, of time, skills or effort, are not property and, therefore, do not qualify as gifts for purposes of issuing official donation receipts. Accordingly, a charity cannot issue an official donation receipt for services rendered free of charge. For more information, see Policy Commentary CPC-017, *Gifts of Services*, available on our Web site at [www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-017-eng.html](http://www.cra.gc.ca/tx/chrts/plcy/cpc/cpc-017-eng.html).

## Part-time (part-year) position

If any employee of the registered charity does not meet the requirements listed above for a "full-time (permanent) position," refer to that employee as filling a part-time (part-year) position.

## Planned giving

Planned giving is a fundraising program that involves arranging donations to serve the interests of the charity and that suits the personal, financial, and tax situation of the individual donor. Through a planned-giving program, a charity seeks to attract significant gifts by identifying potential donors and helping them with information and advice.

Examples of planned giving include bequests, annuities, life insurance policies, and residual interests or charitable remainder trusts.

## Proceeds of disposition

This is usually the amount a person receives or will receive for property sold. When a charity sells a property such as land, buildings, securities, and works of art, it may have a gain or loss from the sale.

## Qualified donee

Qualified donees are organizations that can, under the *Income Tax Act*, issue official donation receipts for gifts that individuals or corporations make to them.

They include:

- registered charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- housing corporations in Canada set up exclusively to provide low-cost housing for the aged;
- municipalities in Canada;
- under proposed legislation, for gifts made after May 8, 2000, municipal or public bodies performing a function of government in Canada;
- the United Nations and its agencies;
- universities outside Canada with a student body that ordinarily includes students from Canada (these universities are listed in Schedule VIII of the *Income Tax Regulations*);
- charitable organizations outside Canada to which the Government of Canada has made a gift during the donor's taxation year, or in the 12 months immediately before that period (see the CRA Web site at [www.cra.gc.ca/E/pub/tp/ic84-3r5/README.html](http://www.cra.gc.ca/E/pub/tp/ic84-3r5/README.html)); and
- the Government of Canada, a province, or a territory.

## Restricted funds

Restricted funds are funds tied to a specific use and not available for the general purposes of the charity (e.g., a fund consisting of contributions that donors specifically direct the charity to use to buy a new building). Endowments are one type of restricted fund. Donors create them when they stipulate that the charity must maintain the principal amount and only use the income earned on it. Also see "Ten-year gifts," below.

## Right to acquire shares

A right to acquire shares is a right under which a charity is entitled, either immediately or in the future, and either absolutely or contingently, to purchase or otherwise receive any class of shares.

## Share

A share is a share or fraction of a share of the capital stock of a corporation. A share of the capital stock of a corporation includes a share of the capital of a cooperative

corporation (within the meaning assigned by subsection 136(2) of the *Income Tax Act*) and a share of the capital of a credit union.

## Specified gift

Specified gifts under the *Income Tax Act* allow for the transfer of gifts from one registered charity to another registered charity. The transfer amount will not increase the recipient charity's disbursement quota for the year, nor can the donor charity use the specified gift to satisfy its own disbursement quota. However, the recipient charity may subsequently have to consider the specified gift when determining the average value of property not used directly in charitable activities or administration.

A gift becomes a specified gift if the donor charity identifies it as such in its return for the year and informs the recipient charity that it is a specified gift.

## Subordinate position

A charity may be in a subordinate position to a parent organization. For example, a registered charity with its own governing documents may be, at least in some respects, in a subordinate position to a head body. The head body usually has policies that govern the charitable programs the charity delivers and that regulate its administrative and financial affairs. It may also require dues from the subordinate charity. The subordinate charity could also be an internal division, which is an internal branch, section, or other division of a registered charity. An internal division does not have its own governing documents.

## Ten-year gifts

A registered charity can receive gifts subject to a donor's written trust or direction that the charity holds the gifts for at least ten years. These gifts are one form of enduring property. See the definitions of "Enduring property" and "Restricted funds."

For more information, see RC4108, *Registered Charities and the Income Tax Act*, available on our Web site at [www.cra.gc.ca/E/pub/tg/rc4108/README.html](http://www.cra.gc.ca/E/pub/tg/rc4108/README.html).

## Terms of office

Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, now asks for the start date and end date of the term for each director/trustee or like official. If the terms of the directors/trustees/like officials do not coincide with the fiscal year of the charity, or a director/trustee/like official does not complete their term, this should be included on the worksheet. If the terms of the directors/trustees/like officials do coincide with the charity's fiscal year, then the fiscal year start and end should be recorded as each director's term. Regardless of the term length, a charity must ensure that complete information is provided for each person who served as a director/trustee or like official for any period of time during the fiscal period.