



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 T3010-1, *Registered Charity Information Return*;
- Form TF725, *Registered Charity Basic Information Sheet*;
- a copy of the charity's financial statements;
- Form T1235, *Directors/Trustees and Like Officials Worksheet*, with all the required information, including details such as the dates 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, *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 the charity's return properly, attach the peel-off labels from the TF725, *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 the charity's annual return. These should be mailed separately to the above address.**

Some sections of the new Form T3010-1, *Registered Charity Information Return*, contain tables that are to be completed if they are applicable to the 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 includes the charity's identification information, and that labels from Form TF725, *Registered Charity Basic Information Sheet*, are attached where applicable.

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

## What's new

Use this guide to complete Form T3010-1, *Registered Charity Information Return*. The changes described below are currently being administered by the Canada Revenue Agency, but were not law when this guide was being published. If the changes become law as proposed, they will be effective as of March 4, 2010.

### Legislative changes

On March 4, 2010, the Minister of Finance presented the 2010 federal budget, which proposed a number of measures affecting registered charities. The measures included significant changes to the **disbursement quota** calculation, as well as changes to several connected concepts, such as **specified gifts** and **enduring property**. This guide incorporates changes regarding the disbursement quota and connected concepts for fiscal periods that end on or after March 4, 2010.

### Revisions to Form T1242

We have revised Form T1242, *Registered Charity Information Return Summary*, which we send after receiving a completed return.

### Revisions to Form T1259

Form T1259, *Capital Gains and Disbursement Quota Worksheet*, is no longer applicable. For more information, see **Budget 2010 – Changes for charities** on our Web site at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities).

### Form T3010-1, Registered Charity Information Return

Form T3010-1, and Form T1235 (09), *Directors/Trustees and Like Officials Worksheet*, and Form T1236 (10), *Qualified Donees Worksheet/Amounts Provided to Other Organizations*, are to be used for **fiscal periods ending on or after March 4, 2010**.

You can get these forms in the **Forms and publications** section on our Web site, at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities), or by calling **1-800-267-2384**.

### Charities Directorate On-line Glossary

We refer to many key terms in this guide. For definitions of these terms, see our on-line **Glossary** available on our Web site at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities).

#### Note

Terms included in our on-line **Glossary** are intended to provide an overview and, as such, are not comprehensive, nor do they replace the law, either enacted or proposed. More information describing these terms can be found on our Web pages.

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## 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 many forms and publications. You can get these documents in the **Forms and publications** section on our Web site at [www.cra.gc.ca/charities](http://www.cra.gc.ca/charities), or by calling 1-800-267-2384.

You can also access the policies referred to in this guide in the **Policies and guidance** section on our Web site.

### Electronic mailing lists

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

When you subscribe to **Charities and Giving – What's New**, you will be notified of additions to our Web site, including Charities Newsletters, policy statements and commentaries, new guidance, 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:

- 1-800-267-2384, or
- 1-800-665-0354 for TTY service for persons with a hearing or speech impairment.

You can also fax us at 613-954-8037.

## 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 must file an information return each year. Form T3010 and related documents must be filed no later than six months after the end of the charity's fiscal period.** For example, if the charity's fiscal period end is March 31st, its annual information return and related documents are 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 another exemption applies;
- 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 the revocation tax is to make sure that charitable property continues to be applied to charitable uses. The tax is 100% of the value of all remaining assets after all debts and liabilities have been paid. However, a revoked charity may reduce the amount of tax owing by using its remaining assets on its charitable programs or by transferring them to an eligible donee during the one year period following the date of the Notice of Intention to Revoke A Charity's Registration.

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 T3010 annual 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.

For more information on re-registering a charity, see Guide T4063, *Registering a Charity for Income Tax Purposes*, available in the **Forms and publications** section on our Web site.

#### 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 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 the charity's certificate of incorporation, letters patent, memorandum of association, or other incorporating document. Contact information is available in the **Provincial and territorial government contacts** section on our Web site.

#### 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 T3010-1, *Registered Charity Information Return*, including Schedules 1-6, as required;
- Form TF725, *Registered Charity Basic Information Sheet*;

- Form T1235, *Directors/Trustees and Like Officials Worksheet*, with all the required information (unless you have included Form RC232-WS);
- Form T1236, *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.

## 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.

- 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.

For more information on RNASOs, refer to our Summary Policy CSP-R14 available in the **Policies and guidance** section on our Web site.

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

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

Confidential data is marked as such and includes the information provided in Section F, Schedule 4, part of Form T1235, *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 in the **Forms and publications** section on our Web site.

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 also 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.”

## Form T1242, 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 the charity’s return. The Summary will also provide the charity with certain reported and recalculated financial totals. This information is calculated based on the amounts the charity has provided on Form T3010-1, *Registered Charity Information Return*.

## General notes on completing the return

Check **all** the information on Form TF725, *Registered Charity Basic Information Sheet*, and make corrections if necessary. See pages 8-11 for detailed instructions on how to complete it.

Answer every question in the return **that applies to the charity**. Except for yes/no questions, if a question does not apply to the 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, including the schedules. If there is not enough room, attach a separate sheet. Ensure the attached sheet includes the charity’s identification information and that labels from Form TF725, *Registered Charity Basic Information Sheet*, are attached where applicable.

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 (for example, report \$125,754, **not** \$125,753.53).

A director/trustee or like official, must sign and date the certification area in Section E.

The person who signs Form T3010-1, *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 the charity’s records.

Certain religious organizations may 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.

### Note

Religious organizations requesting this exemption should contact the Charities Directorate, as written confirmation is required from the Directorate for organizations to qualify for this exemption/status.

If, on Form TF725, *Registered Charity Basic Information Sheet*, there is a message about the charity meeting the criteria for exemption, you do not have to provide the following information on the return:

- Section C, requests 5(b), 7(a), and 7(b);
- Schedule 2, line 200, amounts in the table, and line 230;
- Schedule 3, request 1(b), and questions 2(b) and 3;
- Schedule 4, amounts in the table in Section 2;
- Section D (except lines 4050, 4400, 4490, and 4565) or Schedule 6; and
- the amounts of gifts to qualified donees, on Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*.

## How to Amend the Return

If you need to make a change to the charity’s return **after** you have mailed it, complete and send us Form T1240, *Registered Charity Adjustment Request*. This form is available in the **Forms and publications** section on our Web site. If you do not have access to the Internet, or are unable to print this form, contact us at **1-800-267-2384**.

Send the completed T1240 to the address provided on the form, 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 Sheet (Form)

Form TF725, *Registered Charity Basic Information Sheet* (Form) is an integral part of the information return. Attach the Form to the return when you file it.

Verify the information about the charity, as it reflects what we have in our records. The person who signs Form T3010-1, *Registered Charity Information Return*, is also certifying that the information on the Form is correct, complete, and current.



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

- the mailing address of the charity;
- the charity's telephone number, fax number, email address, and 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.

#### Note

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

### 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 the charity if needed.

This information is also important to the public, who may want to inquire about the 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 the charity (for example, "Frances Jones" or "Treasurer").

Make sure the public contact name or the position is current; if not, 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 a charity. If the 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 the charity carries on activities. It is based on the information the charity provided when it was registered, or on previous returns.

If the 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 the charity's activities. If the charity is funding qualified donees, use the "Other" category and write "funding qualified donees." If you cannot find a suitable area, use the "Other" category and describe the program.

After selecting the area that best reflects the charity's activities during the fiscal period, enter the field code and the description (for example, 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 the charity gave to each area. We do **not** expect exact figures. Estimate as best you can the 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 the charity devotes to gifting to qualified donees should only be identified under I1 "Other" as such.

Some information cannot be changed directly on the Form. This information includes:

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

In these cases, you can only change the information by sending us a letter, signed by an authorized representative, with supporting documentation. Send the letter and supporting documentation separate from the return.

**If you have already requested changes that do not appear on your Form, contact us.**

### Name of registered charity

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

### Charity's Designation

We designate all registered charities as:

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

If the designation that appears on the Form is incorrect and should be changed, complete and send us Form T2095, *Registered Charities: Application for Re-Designation*, available in the **Forms and publications** section on our Web site.

## Registration date

The registration date is the effective date of the charity's registration. This date should be the same as on the notice we sent you when the charity was registered. However, if the charity's registration was revoked and the charity was later granted re-registration, the registration date on the Form will be the effective date of re-registration and not the original date of registration.

## Business Number (BN)/Registration number

The charity's BN is the number on file with the Charities Directorate and includes the "RR" charity account identifier. See the **Glossary**, available on our Web site, 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 the 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 (for example, ending August 31 or March 31).

The fiscal period **end** is always stated as month and day only (for example, 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 must obtain our permission before changing its fiscal period, since such changes affect the charity's obligations under the *Income Tax Act*. To request a fiscal period change, 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 the charity.

When a registered charity changes its fiscal year end, it will have a transition period that is not a full 12 months. Therefore, it must file a separate information return for the months of transition. For example, 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.

### Notes

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 (for example, 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.

We have recently revised Form T3010, *Registered Charity Information Return*. Make sure that you file the correct version of this form for the charity's fiscal period end.

- Form T3010A (05) should be completed by charities with fiscal periods ending from March 23, 2004, to December 31, 2008, inclusive.
- Form T3010B (09) should be completed by charities with fiscal periods ending from January 1, 2009, to March 3, 2010, inclusive.
- Form T3010-1 should be completed by charities with fiscal periods ending **on or after March 4, 2010**.

## 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 (for example, 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 (for example, Royal Astronomical Society of Canada)
- C13 youth groups (for example, Girl Guides, cadets, 4-H clubs, etc.)

# Completing Form T3010-1, Registered Charity Information Return

## 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 (for example, 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.

## Section A – Identification

**A1 – Line 1510** – Tick **yes** if the 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; they abide by the governing documents of the charity that is their head body.

Also tick **yes** if the charity has its own governing documents and its activities are determined by another organization.

Provide the name and the Business Number / registration number of the other organization in the boxes provided.

**A2 – Line 1570** – Tick **yes** if the charity is no longer in operation. Attach a letter asking us to revoke the charity's registration. If you have already submitted this request, contact us to make sure that the charity's registration has been revoked. If so, the charity will have to file a final Form T3010-1, *Registered Charity Information Return*, as well as Form T2046, *Tax Return Where Registration of a Charity is Revoked*, available in the **Forms and publications** section on our Web site. See Guide RC4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, also available in the **Forms and publications** section on our Web site, for more information.

Also tick **yes** if the 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 must submit at **1-800-267-2384**.

**A3 – Line 1600** – Tick **yes** if the 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 the 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

It is mandatory for directors/trustees and like officials to provide information such as their dates of birth and home addresses to facilitate the administration and enforcement of the *Income Tax Act*. The dates of birth information allows for identification of directors/trustees and like officials who are fiscally accountable for the management of the charity. The director's name, position in the charity, and arm's length status to other directors/trustees and like officials are public information. Other information including the address and date of birth will remain confidential and will not be made available to the public.

**B1** – You **must** attach Form T1235, *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, 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, arm’s length status from all other members of the governing board, and date of birth.

Directors/trustees and like officials are persons who have managing authority within the charity. This usually means persons who hold positions identified in the charity’s governing documents, such as chair, vice-chair, treasurer, secretary, or past president. The 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, such as 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 the charity’s 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.

## Section C – Programs and General Information

Sometimes a charity goes through an inactive period. However, the charity may want to keep its registered charity status. To keep this status, **it must continue to file information returns and explain the circumstances to us.**

At a certain point, however, if a charity remains inactive the CRA may take the view that it no longer meets the requirements for registration.

An inactive charity is one that, during the entire fiscal period, did not use any of its resources to carry out its charitable activities, or to further the charitable purposes for which it is established.

**C1 – Line 1800** – Tick **yes** if the charity was active during the fiscal period. **If the charity was not active, explain why in the “Ongoing programs” space provided at C2.**

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

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

The charity 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 the charity’s programs in the space provided in question C2. Do not report information on fundraising activities here.**

If the charity is considering 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 the charity carried out its charitable activities during the fiscal period. For example, the charity:

- 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 the charity actually does. For example, simply saying “we advance religion,” or “we relieve poverty” is not sufficient. See Table 2 below for an example involving a fictitious religious charity.

**Table 2**

Ongoing programs
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.
New programs
We provide a senior care program two times a week.
We provide a Sunday school bus service for children.

**C3 – Line 2000** – Tick **yes** if the charity made gifts to qualified donees or other organizations. If so, you **must** complete and attach Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*. Using this worksheet, provide information concerning the charity’s resources transferred as gifts to another organization.

Where a gift has been made to a qualified donee, provide the name 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 exact location outside Canada, if it is a qualified donee outside Canada), and the total amount of gifts made to the qualified donee, including

gifts-in-kind. For more information on qualifying gifts, consult our pamphlet P113, *Gifts and Income Tax*, available in the **Forms and publications** section on our Web site.

If the charity transferred resources to other organizations, enter the name and address of the recipient organizations on Form T1236, and indicate the value of the resources transferred.

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

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.

**C4 – Line 2100** – Tick **yes** if the charity carried out activities outside Canada directly, or by providing funding or other resources to individuals, entities, or intermediaries. These intermediaries include employees, volunteers, agents, joint ventures, and contractors, but not qualified donees.

**If yes, you must complete and attach Schedule 2, *Activities Outside Canada*.**

Registered charities can conduct charitable activities outside Canada. To carry on their activities abroad, registered charities can use employees or volunteers posted in other countries, or they can carry on activities through an agent, contractor, or other intermediary, provided that the registered charities exercise direction and control over the activities. They can also make gifts to other qualified donees that conduct their charitable activities outside Canada. These gifts should be recorded at line 5050.

For more information about carrying on activities outside Canada, see *Canadian Registered Charities Carrying Out Activities Outside Canada*, available in the **Policies and guidance** section on our Web site.

**C5 – (a) – Line 2400** – Tick **yes** if the charity carried out any political activities during the fiscal period. We consider an activity to be political if a charity:

- a) explicitly makes a call for **political action** (for example, 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);
- b) 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
- c) 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 contributing 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 activities. 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 (for example, 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. Go to **Policies and guidance** and select **Operating a registered charity**.

**C5 – (b) – Line 5030** – Enter the total amount of resources, such as employees, volunteers, directors, equipment, and premises, devoted by the charity on political activities during the fiscal period.

**C6 – Lines 2500-2660** – Tick **all** applicable fundraising methods used by the charity during the fiscal period. For more information on fundraising, see Guidance CG-013, *Fundraising by Registered Charities*, on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

**C7 – Line 2700** – Tick **yes** if any external fundraisers were paid during the fiscal period. An external fundraiser is a company or individual not employed by the charity that solicits funds on the charity's behalf. **If yes, you must complete lines 5450, 5460, 2730 to 2790, and Section 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 the 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 the charity.

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

**Line 2800** – Tick **yes** if the fundraiser issued tax receipts on behalf of the charity.

**C8 – Line 3200** – Tick **yes** if the charity made any payments to its directors/trustees or like officials or persons not at arm's length, that were not reimbursements or allowances for amounts spent to carry on their duties (for example, an out-of-town director's accommodation and travel expenses while attending a board meeting). The term "not at arm's length" means persons acting jointly without separate interests, or who are related. For more details on arm's length, refer to our on-line **Glossary**.

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 contact information is available in the **Provincial and territorial government contacts** section on our Web site.

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

**C10 – Line 3900** – Tick **yes** if the 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.

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

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

**C12 – Line 5800** – Tick **yes** if the 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 legal or accounting experts.

For more information on "non-qualifying securities," visit our on-line **Glossary**.

**C13 – Line 5810** – Tick **yes** if the 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 legal or accounting experts

For more information on "loanbacks", visit our on-line **Glossary**.

**C14 – Line 5820** – Tick **yes** if the charity issued tax receipts for donations on behalf of another organization. For more information, see the **Issuing receipts** pages available on our Web site by selecting **Operating a registered charity**.

## **Section D – Financial Information**

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

- The charity's gross revenue exceeds \$100,000.
- The amount of all assets (for example, investments or rental properties) not used in charitable activities or administration exceeds \$25,000 over a 24-month period.
- The charity currently has permission to accumulate 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** – Tick the box that applies to the 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** – Tick **yes** if the charity owns land and/or buildings.

**Line 4200** – Enter the total amount of all of the 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 the 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** – Tick **yes** if the charity borrowed from, loaned to, or invested with any non-arm’s length parties in the fiscal period.

### **D3 – Revenue:**

**Line 4490** – Tick **yes** if the charity issued tax receipts for donations in the fiscal period.

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

Report amounts received from other registered charities on line 4510.

**Line 4505** – Enter the value of all 10 year gifts received. This amount could also be included on lines 4500, 4510 to 4630, and 4650. For a definition of “10 year gifts,” visit our on-line **Glossary**.

**Line 4510** – Enter the total amount of funds and/or value of property received from other registered charities.

#### **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. Do not include revenue from governments or from fundraising on this line. Include gifts for which the charity did **not** issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections.

**Line 4565** – Tick **yes** if the 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. **If yes, you must complete line 4570.**

**Line 4570** – Enter the charity’s total revenue from all levels of government in Canada (municipal, provincial, territorial, and federal).

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

**Line 4630** – Enter the total gross 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 the charity received from activities carried on by the 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 the charity’s activities. 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 the charity that is not already included in the amounts above. You should 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.

#### **Note**

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

**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, such as legal, accounting, or 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 activities, 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 the 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 on charitable activities. This includes all expenditures essential for the charity to carry out its charitable activities. 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 expenditures 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 the 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 the charity's return on a reasonable and consistent basis.

**Line 5050** – Enter the total expenditures for all gifts to qualified donees.

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

## 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 individual signing this return should check all the information to make sure it is correct, complete, and current.

By signing the return, the individual certifies “to the best of [his or her] knowledge,” that the charity's return is correct, complete, and current. This means he or she 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 T3010, *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, *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, *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 TF725, *Registered Charity 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 the charity. This means the address where the 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 the 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 (for example, the first green house eastbound on Highway 4 from Oldtown).

### Note

No matter where the charity carries out its activities, it must have books and records available at an address in Canada that would enable an auditor 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 the charity's activities including agreements for activities outside Canada); and
- source deductions and taxes payable.

You can find general information on retaining and destroying records in *Income Tax Information Circular 78-10, Books and Records Retention/Destruction*, available in the **Forms and publications** section on our Web site.

For further information on books and records, see *Guide RC4409, Keeping Records*, also available in the **Forms and publications** section on our Web site.

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

## Schedule 1, Foundations

**1 – Line 100** – Tick **yes** if the 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, 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, or any previous year, 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 the future, 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 or private foundation that has acquired control of a corporation 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*, available in the **Forms and publications** section on our Web site.

For more information about control of a corporation, see Income Tax Interpretation Bulletin IT-64R4, *Corporations: Association and Control*, available in the **Forms and publications** section on our Web site.

**2 – Line 110** – Tick **yes** if the 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 activities at any time during the fiscal period.

Public and private foundations are not allowed to incur debts other than in the situations described above.

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** includes miscellaneous types of debts such as brokerage fees or other incidental amounts that relate to the purchase or the sale of investments. Debts to acquire investments such as shares or other securities are also acceptable.

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

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

#### Note

Questions 3 and 4 apply to private foundations only.

**3 – Line 120** – Tick **yes** if the 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.

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 service office.

**4 – Line 130** – Tick **yes** if the 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.**

For more information, see Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*, available in the **Forms and publications** section on our Web site.

## Schedule 2, Activities Outside Canada

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

**2 – Line 210** – Tick **yes** if any of the charity's resources were provided for activities 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 in the schedule.

**3** – Identify the countries where the charity itself carried on activities or provided any of its resources, using the country codes listed in the schedule.

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

**5 – Line 240** – Tick **yes** if the charity's activities 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** – Tick **yes** if the charity's activities 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** – Tick **yes** if the charity’s activities 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 in the schedule.

For more information on activities outside of Canada, see *Canadian Registered Charities Carrying Out Activities Outside Canada*, available on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

## 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 an employee’s gross income from employment plus the charity’s contributions to the employee’s pension, medical or insurance plan, employer CPP and EI contributions, and workers’ compensation premiums.

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

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

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

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

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

**3 – Line 390** – Enter the 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 (for example, with certain other government departments and agencies).

### Part 1 – Information about Fundraisers

**Provide the name(s) and arm’s length status of external fundraiser(s) in the table.**

For more information on determining arm’s length status, see Income Tax Interpretation Bulletin IT-419R, *Meaning of Arm’s Length*, available in the **Forms and publications** section on our Web site.

For more information on contracting with external fundraisers, see Guidance CG-013, *Fundraising by Registered*

*Charities*, on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

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

Gifts received from residents of Canada do not have to be reported on this form. For each gift of \$10,000 or more that a charity receives from a donor who is not resident in Canada, the charity must report on Schedule 4 the identity of the donor, the amount of the gift, and whether the donor is an individual, organization, or government body, **unless** the donor is either:

- a Canadian citizen;
- employed in Canada;
- carrying on business in Canada; or
- a person that has disposed of taxable Canadian property.

Donations from non-resident 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 the charity received non-cash gifts (gifts-in-kind) for which it issued tax receipts, check **all** the **types** of non-cash gifts the charity received during the fiscal period. Two uncommon terms are explained here.

**Cultural properties (Line 520)** are objects 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, through its destruction or transferring to a party 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 in the **Forms and publications** section on our Web site, and pay the tax within 90 days of the end of its fiscal period.

For more information, see Pamphlet P113, *Gifts and Income Tax*, and Income Tax Interpretation Bulletin IT-407R4-CONSOLID, *Dispositions of Cultural Property to Designated Canadian Institutions*, available in the **Forms and Publications** section on our Web site.

**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 in the **Forms and Publications** section on our Web site, 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.

## Schedule 6, Detailed Financial Information

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

- The charity's gross revenue exceeds \$100,000.
- The amount of all assets (for example, investments or rental properties) not used in charitable programs or administration exceeds \$25,000 over a 24-month period.
- The charity has permission to accumulate property during this fiscal period.

**Line 4020** – Tick the box that applies to the 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

### Note

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

**Line 4100** – Enter the total amount of cash the 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. Also include the value of long-term investments that will mature within one year; such as a five-year bond that is currently in its last year of being held. Do **not** include investments in non-arm's length parties on this line.

**Line 4110** – Enter the value of amounts owed to the 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 the 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 parties that are not at arm's length.

For more information, see Income Tax Interpretation Bulletins IT-419R2, *Meaning of Arm's Length*, and IT-64R4-CONSOLID, *Corporations: Association and Control*, available in the **Forms and Publications** section on our Web site.

**Line 4120** – Enter the value of amounts receivable from individuals or other organizations. Amounts receivable include funds owing from the provision of goods or services, and the current portion (the amount due during the fiscal period) 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 or amounts receivable from non-arm's length individuals or organizations.

**Line 4130** – Enter the total amounts that the 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 the charity. These amounts could include limited partnership investments, shares, and investments in Canadian or foreign related corporations. Do not include any amounts already reported on line 4110.

**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 or any amounts reported on lines 4120, 4130 or 4170. Also, note that restricted funds must be reported 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 the charity's activities or held for sale (for example, articles that workers in a sheltered workshop manufacture, religious books or artifacts for sale, educational materials such as books in print or electronic form, or 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 at their cost to the charity, or, if the asset was donated, at fair market value **at the time the gift was made**. A charity must also 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. Include the cost of major improvements in order for the charity to use the asset for its intended purpose.

**Line 4155** – Enter the cost or fair market value (see note above) of all land and buildings in Canada.

**Line 4160** – Enter the cost or fair market value (see note above) of all other capital assets in Canada. These can

include equipment, vehicles, computers, and furniture and fixtures.

**Line 4165** – Enter the cost or fair market value (see note above) of all capital assets outside Canada. These can include land and buildings, equipment, vehicles, computers, furniture and fixtures.

**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 and shown with brackets.

**Line 4170** – Enter the value of any assets the 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 the charity's restricted funds on this line.

**Line 4180** – Enter the value of all 10 year gifts included on lines 4100 to 4170. For a definition of "10 year gifts", visit our on-line **Glossary**.

**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 the 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 activities. Do **not** include any amounts payable to non-arm's length parties.

**Line 4310** – Enter the total of amounts received by the 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.

**Line 4330** – Enter the total amount of all other liabilities not included above, such as an unused part of a government grant that the charity must return, and long-term debt obligations such as loans, mortgages, and promissory 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 financial statements will often 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) rebates should not be included in income if the related taxes have not been included as an expense.

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

## Revenue

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

### Note

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

**Line 4500** – Enter the total eligible amount of gifts received by the 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.

**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 the charity can acknowledge with an official donation receipt. For more information, see Income Tax Information Circular 75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*, available in the **Forms and publications** section on our Web site.

**Line 4505** – Enter the value of all 10 year gifts included on lines 4500, 4510 to 4575, 4630, and 4650. For a definition of "10 year gifts," visit our on-line **Glossary**.

**Line 4510** – Enter the total amount received from other registered charities.

### 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). Do not include revenue from governments or from fundraising on this line. Also include gifts for which the charity did not issue tax receipts because it could not identify the donor, such as anonymous gifts, collection boxes, or loose collections.

**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 the 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 the charity received or earned during the fiscal period (for example, interest from bank accounts, mortgages, bonds, and loans; and dividends from shares). Include all investment income, whether or not the charity received an information slip for the amount, and whether or not the charity received the income from a non-arm's length individual or organization. Do **not** include capital gains.

**Note**

An investment or capital loss should **not** be reported under income.

Report all foreign investment income in Canadian dollars. Convert the amount at the exchange rate in effect on the day the 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 service office or your local financial institution for the applicable exchange rates.

Exchange rates can also be found on the Bank of Canada Web site at [www.bankofcanada.ca](http://www.bankofcanada.ca).

**Line 4590** – Enter the gross amount received on disposition of assets.

**Line 4600** – Enter the net gain or loss on disposition of assets, after removing any costs associated with the sale. Show a negative amount with brackets.

**Line 4610** – Enter the gross income received or earned by the charity from renting its land and buildings. Add all such rents, including those derived from property the charity used in carrying on its charitable activities. 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 activities, it should provide details on this property in the notes to its financial statements.

Report any income the 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 the charity did **not** issue a tax receipt.

**Line 4630** – Enter the total gross amount of non tax-receipted 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 the charity received from activities carried on by the 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 the charity's activities. 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 the 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 (for example, 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 the 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 the charity and its activities, including advertising and promotion costs related to fundraising activities. Specific examples include meals and entertainment, seminars, presentation booths, publications, and postage related to promotion or advertising of the charity. 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, such as the 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.

**Line 4850** – Enter the total amount paid or incurred for occupancy costs. This includes rent, mortgage payments (excluding the interest portion, which is reported on line 4820), maintenance and repairs, utilities, taxes, and all other costs related to maintaining premises used by the 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 (for example, legal, accounting, or fundraising).

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

**Line 4880** – Enter the total amount paid or incurred for all compensation. Enter the amount reported at line 390 in Schedule 3, if applicable.

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

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 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 activities 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 the charity's programs.

**Line 4920** – Enter the total expenditures **not** included on lines 4800 to 4910 (excluding gifts to qualified donees). 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, report 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 report this amount on line 5020;

- grants that must be returned (accrual basis) – also report this amount on line 5040;

- amounts spent further to a compliance agreement with the Charities Directorate – also report this amount on line 5000;

- the costs of rental property the charity does not use to operate its charitable programs or administration – also report this amount on line 5020.

**Line 4930** – Specify the type(s) of expenditures included in the amount reported at line 4920, such as 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 5040 should normally equal line 4950.

**Line 5000** – Enter the part of the amount of line 4950 that represents expenditures for charitable programs. This includes all expenditures essential for the charity to carry out its charitable activities. 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.

**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 the 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. Also, some expenditures may be considered partly charitable, and partly fundraising and/or political. In this case, it will be necessary to divide the amounts accordingly between lines 5000, 5020 and 5030. How you account for these expenditures should be reported throughout the 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 the charity paid out for fundraising activities,

whether carried out by the 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 reported on line 5010. For additional information on acceptable fundraising expenditures, see Guidance CG-013, *Fundraising by Registered Charities*, on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

**Line 5030** – Enter the part of the amount on line 4950 that represents expenditures for political activities, inside or outside Canada. For additional information on acceptable political activities, refer to the policy statement CPS-022, *Political Activities*, on our Web site. Go to **Policies and guidance** and select **Operating a registered charity**.

**Line 5040** – Enter the part of the amount on line 4950 that represents expenditures for other activities. A charity will rarely report an amount on this line (for example, 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 the Charities Directorate at 1-800-267-2384.

**Line 5050** – Enter the total expenditures for all gifts to qualified donees.

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

## Other financial information

### Permission to accumulate property:

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

A registered charity can request permission to accumulate property for a particular purpose. Upon written approval from the Minister and subject to terms and conditions, the charity will be exempt from its disbursement quota obligation on the amount accumulated, plus any income earned on this amount. For more information about permission to accumulate property, visit our Web site and select **Operating a registered charity**, then **Making requests that require approval**, then **Asking for permission to accumulate property (funds)**.

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

**Line 5500** – Enter the amount accumulated this fiscal period, including income earned on accumulated funds.

**Line 5510** – Enter the amount spent this fiscal period for the specific purpose for which we have given permission to accumulate property.

### Permission to reduce disbursement quota:

**Line 5750** – Enter the amount for which the charity has received our prior approval to make a 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 activities. This provision is available to a charity that is unable to meet its disbursement quota due to circumstances beyond its control. However, we will only consider giving approval in extraordinary circumstances (for example, where a charity's facilities were burned down and the charity was unable to conduct its activities).

### 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 a reduction to the charity's disbursement quota, complete and submit Form T2094, *Registered Charities: Application to Reduce Disbursement Quota*, available in the **Forms and publications** section on our Web site.

In the case of pre-approved micro-lending organizations and certain other entities, we may have pre-approved certain amounts as a 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," provided "micro-enterprise loans" is written beside the entry on line 5750.

For more information, see Guide RC4143, *Registered Charities: Community Economic Development Programs*, available in the **Forms and publications** section on our Web site.

## Calculating the Disbursement Quota

A registered charity must spend a specific amount each year on charitable activities, or as gifts to qualified donees. This amount is called the "disbursement quota."

For fiscal periods ending **on or after March 4, 2010**, registered charities can calculate their disbursement quota as follows:

3.5% multiplied by the average value of property owned by the charity at the end of the 24 months before the beginning of the fiscal period, and that was not used directly on charitable activities or administration (line 5900), if this value exceeds \$100,000 for charitable organizations and \$25,000 for public and private foundations.

### Note

If the charity has permission to accumulate property, it must subtract the amount accumulated to date plus any

income earned on this amount from the amount at line 5900, before multiplying by 3.5%. The amount accumulated during a fiscal period and the income earned on this amount is entered on line 5500. The charity should include the amounts entered at line 5500 for all the years to date covered by the permission to accumulate property request.

For information on how to calculate the disbursement quota for fiscal years ending before March 4, 2010, see Guide T4033B(09), available in the **Forms and publications** section on our Web site.

**Property not used in charitable activities or administration:** 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. Divide the 24-month period into 2 to 8 equal, consecutive periods.

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 must 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 the 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. Therefore, it uses four six-month periods to establish the value of its assets.

For the return for the fiscal period ending December 31, 2010, it should calculate the average value as follows:

	Value of building	Value of shares	Combined value
Value as of June 30, 2008	\$500,000	\$90,000	\$590,000
Value as of Dec. 31, 2008	\$500,000	\$100,000	\$600,000
Value as of June 30, 2009	\$510,000	\$110,000	\$620,000
Value as of Dec. 31, 2009	\$510,000	\$120,000	\$630,000
Value as of June 30, 2010	\$520,000	\$130,000	\$650,000
Value as of Dec. 31, 2010	\$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 2009 but registered as a charity effective January 1, 2010. In 2008, it did not exist as an entity and had no assets. In 2009 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, 2008	\$0
Value as of Dec. 31, 2009	\$100,000
Value as of Dec. 31, 2010	\$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).

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**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 the charity (see Examples 1 and 2, above). Any amount reported on line 5500 should be subtracted from this line.

**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 the charity. (see Examples 1 and 2, above).

### Keeping track of disbursement excesses

A disbursement excess is created when a charity spends more than its calculated disbursement quota for that year. An excess can be carried back one year to offset a shortfall in that period.

A charity's disbursement excess is available for five years. A charity may draw on an existing excess to help it meet its disbursement quota for up to five of its following fiscal periods.