



# Charitable Receipts

Parish Officers Day May 6, 2017



# Funds Donated to a Charity

- **Must be for use of Charity**
  - **Charity must have control and direction over activity being funded**
  - **May be directed to a Charity program**
  - **Cannot be directed to the benefit of an individual**
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# Flow-Through Funds

- **Generally cannot be receipted**
  - **Key exception to the rule is Qualified Donee rule**
  - **Allows charity to transfer resources to another charity organization**
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# Qualified Donees

- **CRA deems Qualified Donee activities to be activities of the transferring Charity**
  - **Recipient must have charitable purposes congruent with those of funding Charity**
  - **Generally Canadian registered charity**
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# Returned Gifts

- **Only under limited circumstances**
  - **May be seen to be breach of trust for directors of Charity**
  - **Tax implications with CRA reporting**
  - **Charity may be found to gift non-Qualified Donee**
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# Funds Directed to a Foreign Charity

- **Generally not allowed by CRA**
  - **Agency or joint ministry agreements facilitate Charity's work in foreign country**
  - **Must be in place before funds sent**
  - **Charity cannot accept or receipt funds otherwise**
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# **Work by Individuals Outside Canada**

- ▶ Projects funded must be adopted by Charity as its own program**
  - ▶ Individual is retained as employee or agent of Charity**
  - ▶ Potential legal liability for any acts or omissions of the employee/agent**
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# Support to *Missionaries*

- **Outreach or mission an integral part of church ministry**
  - **Oversight agreement with agent used to delivery program**
  - **Church may act as agent for another charity carrying on work within their mission mandate**
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# Gifts by Related Donor

- **Contribution must be voluntary**
  - **Donor receives no consideration of commercial value**
  - **Funds must be used to support charitable purpose, as adopted and approved and under Charity direction and control**
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# Directed Giving

- **Maintains direct connection between donor and missionary, ensuring prayer and financial support**
  - **Not considered private benevolence**
  - **Program receives the funding, not the missionary**
  - **Charity retains control and direction**
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# Connecting to the Mission

- **Emphasis is on the program, not the missionary**
  - **Ensure communication about control of funds**
  - **Charity should have policy to cover funding shortfalls or residual funds use**
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# Short Term Mission Trips

- **Beneficiaries are those ministered to, not the volunteers**
  - **Contributions are to the mission**
  - **Charity must retain control of funds**
  - **Criteria for participation should be established, documented and approved in advance**
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# Fundraising for Mission Trips

- **Receipted Gifts must be voluntary, not tied to individual**
  - **Fundraising success by an individual should not determine participation**
  - **If overall fundraising is short, may be necessary to cancel trip**
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# **Cancellation of Mission Trip**

- **Gifts are not returned to donors**
  - **Redirection of funds in the event of cancellation should be established in advance**
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# Commercial Valuation

- Donations must be freely given
  - “Donation” in return for use of facilities is not voluntary
  - Donation of services should not be receipted
  - Gifts in Kind must have fair market value
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# When to Receipt

- **Gift is identifiable by donor**
- **Must be of value (not just nominal)**
- **Excess of fair market value received**
- **Not for personal benefit of member**



# Valuation of Gift

- ▶ **Members cannot receive benefit of lower fees**
- ▶ **Donors who receive special recognition have an advantage that must be deducted from taxable value**



# Split Receipting

- ▶ **Common in fundraising activities**
- ▶ **Donation exceeds value received by donor**
- ▶ **“De Minimis” governs advantage received:**
  - ▶ **lessor of 10% and \$75 threshold**



# Non-Cash Gifts

- **Important to determine value for receipting purposes**
  - **If challenge of liquidation exceeds value, Charity should not accept gift**
  - **Receipt reduced by consideration or advantage received**
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# Establishing Fair Market Value

- **Public market**
  - **Independent appraisal if property over \$1,000, two if gift over \$100K**
  - **Before tax for newly purchased gifts**
  - **May be reduced to donor's cost depending on timing of gift**
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# Gift Certificates and Gift Cards

- Donor cannot be issuer of certificate
  - Donor must have obtained it for valuable consideration from issuer or other intermediate party
  - Donor/Issuer may be receipted if Charity redeems it for property (FMV)
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# Official Receipts

- **Must be signed by authorized individual of Charity**
  - **Replacement receipts clearly identified as such**
  - **Not issued to other registered charities**
  - **Issued to true donors only**
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# Responsibility of Charity

- **All receipts issued under name and registration number**
  - **Must account for donations on annual charity return and in books and records**
  - **Cannot be provided on behalf of another organization**
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