



ADMINISTRATIVE GUIDELINE

Title: Receipts and Disbursements of a Registered Charity

Effective Date: February 1, 2002

Responsibility: Superintendent of Business

1.0 Rationale:

The rationale of this administrative guideline is to replace the two separate guidelines entitled “Charitable Tax Receipts” and “Scholarships and Bursaries” and replace them with a single guideline outlining the legislative rules that a registered charity must operate within with regard to receipts of gifts and gifts-in-kind as well as clearly defined procedures that must be followed with regard to the disbursement of funds from a registered charity.

2.0 Receipts

Receipts of a registered charity come in the form of gifts, gifts from other charities, interest and investment income and other income. The source of revenue of a gift may qualify for the issuance of a charitable income tax receipt.

Acceptance of charitable donations from third parties will be at the discretion of the charitable organization itself.

3.0 Definition of a Gift

A gift is a voluntary transfer of property for which the donor receives or expects nothing in return. A contribution of services (i.e. time, skills, and effort) does not qualify as a gift, since services are not property.

To qualify as a gift, all three of the following conditions must be met:

3.1 A donor must have transferred property, either in the form of cash or a gift-in-kind to the charity. The gift must be deposited to the accounts of the charity itself.

A **gift-in-kind** involves property other than cash, such as computers, musical instruments, etc. To establish the value of a gift-in-kind the donor will have to get an estimate of fair market value of the item on the date it was given. The generally accepted meaning of fair market value is the highest price that the property would bring in an open and unrestricted

market between a willing buyer and a willing seller who are knowledgeable, informed and prudent, and who are acting independently of each other.

3.2 The property is given voluntarily. The donor must not be obliged to part with the property (e.g., as the result of a larger contract or a court order); and

3.3 The donor is transferring the property to the charity without expecting anything in return. No benefit of any kind may be provided to the donor or to anyone designated by the donor as a result of the gift. **However donations subject to a general direction from the donor that the gift be used in a particular program operated by the charity are acceptable, provided that no benefit accrues to the donor, and that decisions regarding utilization of the donation within a program rest with the charity.**

4.0 Conditions under which the Charity will Issue Receipts

The charity will issue official receipts only while it is registered and must not issue receipts **for funds that it will not itself be responsible for spending.**

The charity will not give a tax receipt to donors who ask that their gift benefit a specific person or family, or to a particular program if the donor, or anyone not dealing with the donor at arm's length, receives a benefit. The basic rule is that the gift should not result in a specific benefit either to the donor or to a person in whom the donor has a purely private or personal interest.

A charity cannot return a donor's gift. Once the transfer is made, the charity's governing documents oblige it to use the gift in carrying out its charitable purposes.

In order that the charity issue charitable receipts the following conditions must be met with regard to each respective gift:

4.1 The gift must ultimately be received by the charity. The gift may be in the form of cash or be a gift-in-kind but must be deposited into the accounts of the registered charity. This is specific to charitable donations received and managed by a school. For example if graduation monies were donated to a specific high school although the monies may be deposited into the school's fund-raising bank account a listing of the total donors along with a cheque representing total gifts received by the school must be forwarded to the charity for deposit. At that time the charity will deposit the gifts into its books of record and official donation receipts will be issued immediately to all respective donors.

Should the school wish to ultimately receive and manage the charitable donations received without going through the Board's registered charity then it is the school that must apply to Canada Customs and Revenue Agency for charitable status. The finance department would be more than willing to assist any interested parties with their registered charity applications. It is important to then note that it would be the school that would be solely responsible for the maintaining and recording of charitable donation receipts as well as the necessary books and records to support

the school's charity status subject to Canada Customs and Revenue Agency's compliance requirements.

For gifts-in-kind donations of non-cash property, in order for the charity to be able to issue an official donation receipt an appraisal of the donated property must accompany the request for receipt. An independent third party dealing at arm's length with the charity must provide the appraisal. The donor should bear the cost of obtaining the appraisal.

- 4.2 Donations subject to a general direction from the donor that the gift be used in a particular program operated by the charity are acceptable, provided that no benefit accrues to the donor, and that decisions regarding utilization of the donation within a program rest with the charity. Receipts will be issued for specific purpose fund-raising upon receipt of the donations.
- 4.3 Donating services such as time and effort is not a transfer of property. However, a charity can pay an individual and later accept the voluntary return of all, or part of, the payment as a donation. In this situation, the charity can issue an official receipt, but the donor has to declare this income when filing an income tax return.

5.0 Obligations of a Registered Charity

A charity must:

- 5.1 Devote its resources to charity;
- 5.2 Continue to meet the other requirements of registration; and
- 5.3 File Form T3010, Registered Charity Information Return, within six months of the organization's year-end (which has been established for Near North District School Board Charitable Works as December 31st of each year).

Failure to meet the above obligations could result in the charity losing its registered status which will disallow it to issue official receipts for gifts received as well as lose its exemption from paying income tax under Part I of the Income Tax Act.

6.0 Factors which will Disqualify an Organization from Registration

The following are factors that could disqualify an organization from maintaining its charitable status:

- 6.1 No part of a registered charity's income can be payable or otherwise available to personally benefit any member, trustee, or settlor of the charity.
- 6.2 Participate in any political activities;

- 6.3 Issuance of receipts containing false information;
- 6.4 Failure to file annual T3010 Information Return;

7.0 Qualifications for Registration with Canada Customs and Revenue Agency

To qualify for registration the charity was established and operates for charitable purposes and must devote its resources to charitable activities.

The Near North District School Board Charity Works charity's purpose or activity is the advancement of education and providing a learning environment for the purpose of life-long learning, which includes:

- 7.1 Establishing and operating schools;
- 7.2 Providing scholarships, bursaries, and prizes for scholastic achievement;
- 7.3 Providing and maintaining an environment to enhance life-long learning to the children of our community.

The charity is governed by a legal document called a "constitution" which had to have met minimum requirements as outlined in Appendix A – What are the Minimum Requirements of a Constitution?

8.0 Eligible Disbursements

Ultimately the registered charity receives receipts of income in the form of gifts as well as interest and investment income. It will utilize these resources in fulfilling its charitable purposes. The Income Tax Act requires a registered charity to spend a specified amount, called the "disbursement quota" on direct program activities. **The charity must use its resources for charitable purposes.**

Under no circumstances can cash be disbursed to anyone from the charity without a defined purpose and supporting documentation for the disbursement. In order that the organization be able to disburse funds, receipts or invoices must be submitted to the charity outlining in the form of a request the reason that the recipient believes they should have the charity make the disbursement as a charitable activity. For example, if a school with a breakfast program was wishing the charity to assist them in the purchase of milk, then the school must originally make the disbursement and then forward copies of the request accompanied with original receipts to the charity or, request that the charity make the purchase on behalf of the school. At that time the charity will assess the validity of the request and only if the request fell within the charity's mandate and objectives would a disbursement be made. Another example would be graduation ceremonies. Donation receipts received by the school are now to be forwarded to the charity for deposit at which time the charity will issue immediately charitable donation receipts upon receipt of the respective donations. The charity will subsequently disburse funds back to the school for the

specific purpose, upon receipt of a request from the respective school supported by appropriate documentation.

The organization's activities are primarily defined to be the advancement of education by providing scholarships, bursaries and prizes for scholastic achievement and to high achieving students wishing to pursue post-secondary stature without the needed financial resources. Trust and bursary and general funds are to be used by the charity to assist in furthering the education of a student or students. Every year scholarships, bursaries and prizes will be awarded to students meeting specific defined criteria. Students will be recognized for their scholastic achievement and promise by the charity. Through awarding of scholarships, bursaries and prizes the charity will fulfill its objective to advance education. **Refer to following section of criteria that must be established as per guidelines of Canada Customs and Revenue Agency with regard to scholarships, bursaries and prizes.**

Disbursements that can be made from the charity include:

- 8.1 Awards to recognize academic promise or performance excellence
- 8.2 Assistance to educational research projects
- 8.3 Provision for bursaries and prizes where a need is recognized
- 8.4 Provision for educational assistance for special needs individuals
- 8.5 Provision for special programs that promote the educational and physical well being of students
- 8.6 Disbursements that support the charity's objectives of the advancement of education
- 8.7 Disbursements that support the charity's objectives to provide assistance to schools of needed supplies, breakfast programs and other programs to benefit children and create an environment in preparation of life-long learning (purpose beneficial to community of children in local area schools).

9.0 Criteria to Determine who will be Recipients of Scholarships, Bursaries and Prizes

In order for eligibility for awards, students will have to demonstrate on their applications that they meet the criteria as established by the organization itself. The granting of such awards must be based upon pre-determined criteria with the recommendation of an appropriate committee. The criteria for scholarships, bursaries and awards may vary in each instance depending on the specific scholarship or bursary being awarded. These varying criteria would be established by the organization itself with the assistance for input from such bodies as selection committees, principals, teachers and perhaps even various donors of the donations. Ultimately though it must be the charity through utilization of a committee(s) that would establish the criteria for each scholarship, bursary and award. The donor may provide input for establishing criteria that the charity would perhaps utilize in awarding scholarships, bursaries and awards.

Criteria for awarding scholarships and bursaries could include but may not be limited to:

- 9.1 Final average grade
- 9.2 Involvement in social activities
- 9.3 Involvement in voluntary activities
- 9.4 Proof of need of financial assistance
- 9.5 Quality of written application
- 9.6 Interview ratings
- 9.7 Proof of post-secondary enrolment in recognized institution

Once applications are received by the organization or its committee(s) the selection process for the determination of awarding scholarship, bursaries and/or prizes would commence. The potential recipients would be rated based on specific criteria of the respective scholarship, bursary or award being awarded with a recommendation to award being the end result. This recommendation to award would then be brought to the organization's directors or directing officers for official approval. It is important to note at this point that the donor themselves do not select the recipient. The recipient would be selected through a fair selection process with the final approval being the responsibility of the directing officers. The committee would then notify the successful candidate(s). If the scholarship, bursary or award were for the advancement of post-secondary education, then proof of enrolment at a post-secondary institution as confirmed by the respective institution would be required prior to the Charity disbursing the award to the recipient.

The committee would submit a request to the charity for the respective disbursement of funds at which time the charity would forward the funds back to the committee for disbursement to the successful candidates. It is of utmost importance that the charity maintains adequate documentation of all disbursements to prove compliance to Canada Customs and Revenue Agency in the event of an audit.



Appendix A

Near North District School Board Charity Works Constitution

The **name of the organization** is Near North District School Board Charity Works.

The **objective(s) of the organization** is/are:

- 1.0 Advancement of education by providing scholarships, bursaries, and prizes for scholastic achievement;
- 2.0 Advancement of education by providing scholarships, bursaries, and prizes for high achieving students wishing to pursue post-secondary stature without needed financial resources;
 - 2.1 Provide assistance to schools of needed supplies, breakfast programs and other programs to benefit children and create an environment in preparation of life-long learning (purpose beneficial to community of children in local area schools).

The organization shall be carried on without purpose of gain for its members, and any profits or other gains to the organization shall be used in promoting its objectives.

The **organizational structure** of this organization shall be:

Director of Education of the Near North District School Board
Chair of the Board of the Near North District School Board
Superintendent of Business of the Near North District School Board

The term of office of the organization's directors or directing officers shall be confirmed annually.

The **effective date of this Constitution** is January 1, 2000.

Our mission is to educate learners to their fullest potential in preparation for life-long learning.



Appendix B

Near North District School Board Charity Works

Defined Activities to Achieve Objects as per Governing Documents

The charity received registration as a registered charity based on the following activities intended to achieve each of the purposes listed in its governing documents.

The organization's activities primarily are the advancement of education by providing scholarships, bursaries and prizes for scholastic achievement and to high achieving students wishing to pursue post-secondary stature without needed financial resources. Trust and general bursary monies are to be used by the organization to assist in furthering the education of a student or students who show academic promise and are in the need of financial assistance.

Every year scholarships, bursaries and prizes will be awarded to students meeting specifically defined criteria from the earnings of any capital. Students will be recognized for their scholastic achievements and promise by the charity through the awarding of such scholarships, bursaries and prizes. In order to be eligible for awards students must meet specific criteria.

In order to create an environment in preparation of life-long learning the organization will accept gifts and gifts-in-kind such as computers and musical instruments, etc to be donated to needed schools. Cash donations will be accepted with subsequent disbursements (made to schools to assist schools in such programs as breakfast programs, assist schools in supplying instructional materials to students); all to be used in creating an environment in preparation of life-long learning. By creating such an environment believe the community would benefit as a result of community's children accessing needed resources in order to achieve life-long learning into the future.