

**The In's and Out's of Reporting to CRA**  
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Last month, we talked about the risks of not having adequate books and records for your charity, and before that, we addressed some of the common issues in issuing tax receipts. So, this month, it's all about filing reports with CRA, rounding out the "3Rs" of CRA compliance: Receipting, Record-keeping and Reporting. That's not to say that these are the *only* considerations in managing your compliance with CRA's charitable registration requirements, but these are three pervasive ones -- virtually every charity will have to address all three of these areas.

So, just what is the basic reporting requirement? Simply, to file the annual T3010B *Registered Charity Information Return* within six months of each fiscal (accounting) year-end.

The actual process of completing this form is beyond the scope of this article -- there are numerous other resources, including from CRA themselves, to help you on a line-by-line basis, if you need it.

Many charities have their external accountant or their bookkeeper complete the form. While the form certainly has a substantial focus on financial information, however, you shouldn't think that you can simply delegate its completion to your accounting people and be done with it. This filing covers far more than accounting, and it is far too important to leave to the accountants!

The form includes questions on governance, fundraising, your charitable programs, your charity's other activities, such as political or business activities, and more. As such, the form should definitely be reviewed by your organization's senior people -- some combination of executive director, treasurer, and board chair in most cases. In fact, the form needs to be signed by a director, trustee or other official of your charity, to certify the accuracy of the information.

In addition to the T3010 form itself, there are also a few additional pieces to be sure that you have included:

- a listing of your charity's directors or trustees (Form T1235, *Directors/Trustees Worksheet*)
- any donations or transfers of funds that your charity may have made to qualified donees (Form T1236, *Qualified Donees Worksheet*)
- basic information on your charity (*Registered Charity Basic Information Sheet*)
- a copy of your charity's financial statements

Many charities have trouble with the first of these requirements, the listing of directors. In particular, obtaining personal information, including birth dates, of directors is seen by some to be an invasion of privacy. However, CRA requires this information in order to clearly identify the individual directors, and does not make this information public. Charity officials completing this part of the form need to impress upon directors that providing this information is simply part of their legal obligations as directors.

Just a note on the last point concerning the filing of financial statements: CRA does *not* require you to have an audit of your financial statements, but if you do (and there may be other requirements or reasons for you to have an audit), you have to include a copy of these audited statements with your return. It's also worth noting that CRA recommends that you have an audit of your financial statements if you have revenues of more than \$250,000 in the year. If your statements are not audited, then they should be signed by your Treasurer.

Why is it so important to meet this annual filing requirement? I consider there to be at least three great reasons:

1. CRA will revoke your charitable status if you don't file. Filing is one of the fundamental obligations of charitable registration and, as such, CRA will move to revoke the charitable status of your organization shortly after the six month deadline. The result? You are no longer exempt from income tax; you can no longer issue tax receipts; you'll have to reapply and pay a \$500 penalty to get your charitable status back; and, if you don't, you may end up forfeiting your entire net assets in a revocation tax.
2. If that isn't enough, keep in mind that revocations are made public by CRA. Your organization will surely put its reputation at enormous risk by going down this road!
3. Not filing, or not paying close executive attention to what you are filing, is a huge missed communications opportunity. Again, CRA makes the information on your T3010 return public, and increasingly, foundations, corporations and even individuals are reviewing this information as part of their donation decision-making process. Why not take advantage of this fact to support the messages and story of your charitable works?

One final note: if you as a board member or executive director have not been paying as close attention to this filing as you think you should, now may be the perfect time to start doing so. Effective in 2009, CRA has introduced a new T3010 "B" form, replacing the older "A" version. While parts of it will look familiar to those who have worked with the T3010A in prior years, the new form has some enhanced disclosures that merit close attention. And, the new form is the perfect opportunity to offer to dig in and help get the disclosures right.

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Failing to file your annual T3010 report is one of the surest and fastest ways of putting your organization's charitable status at risk. And, failing to use the filing requirement as the opportunity it is, to communicate important accountability information to your stakeholders, is a potentially huge opportunity cost to your charity.

For further information on the basics of CRA's filing and other charitable registration requirements, stay tuned for Imagine Canada's new Charity Tax Tools online resource. This comprehensive and user-friendly website, developed by Imagine Canada with the CRA's financial support, specifically for small to mid-sized charities, will be launching shortly!

Note: This post is provided as information only. Readers are cautioned not to act on information provided without seeking specific legal advice with respect to their unique circumstances.