# Society of Saint Vincent de Paul

The following document provides some additional information to assist with the revenue portion of filling the annual financial report for the Society of Saint Vincent de Paul in Canada. Note that the SSVP financial report follows the Canada Revenue Agency (CRA) T3010 Registered Charity Information Return, which all charitable organizations must file on an annual basis to retain their charitable status.

The following sources of information were leveraged to compile this document:

- Canada Revenue Agency:
    - Registered Charity Information Return form T3010
    - Canada Revenue Agency (CRA) laws governing Not-for-Profit Organizations (NPOs)
- Chartered Professional Accountants Canada, A Guide to Financial Statements of Not-For-Profit Organizations

It is important to note that the main obligations of a registered charity are:

- Devote its resources (financial, human and real estate) to its charitable purposes and activities;
- Manage and direct the use of all its resources (financial, human and real estate);
- Ensure that official donation receipts are complete and accurate at the time of issuance;
- Maintain up-to-date accounting records in Canada and allow the Canada Revenue Agency (CRA) to review them upon request;
- File the annual T3010 form, Registered Charity Information Return, within six months of the end of the fiscal year;

A charity, in the legal sense, must be set up to carry out activities that fall within one or all of the following headings:

- Relief of poverty;
- Advancement of education;
- Advancement of religion;
- Useful for the community (provide a tangible benefit to the community)

Charitable activities useful for the community recognized as charitable purposes are:

- Health promotion;
- Contributing to the appreciation of the arts by the public;
- Environmental Protection;
- Treatment and prevention of the special needs of children and young people face;
- Treatment and prevention of problems facing families;
- Relief of conditions associated with old age;
- Relieving conditions associated with impairment;
- Provide public services;
- Promotion of Trade and Industry.

Frequently discovered issues by CRA Charities Directorate as part of audits can be summarized as follows:

- incorrectly issuing donation receipts;
- making gifts to non-qualified donees;
- failing to maintain direction and control of resources;
- keeping inadequate books and records;
- verifying revenues – resources spent on charitable programs; and
- filing incomplete and/or inaccurate registered charity information returns.

It is therefore important to properly adhere to CRA guidelines. Please refer to the CRA Charities and giving glossary for assistance

[https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/charities-giving-glossary.html](https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/charities-giving-glossary.html)

The following additional information relates directly to the CRA form T3010.

Under section D3 – Revenue:

**Line 4490** – If the charity issued official donation receipts for donations in the fiscal period, please select "Yes".

**Line 4500** – Enter the total eligible amount of all gifts received by the charity in the fiscal period for which official donation receipts were or will be issued. Do not include gifts received from other registered charities. Report amounts received from other Canadian registered charities on line 4510.

Gifts and receipts: what is property?

- Cash
  - Includes debit, cheque, and credit card payments
- Gifts in Kind (also sometimes referred as Non-Cash Gifts)
  - capital property (equipment, land, buildings, stocks, etc.);
  - personal property (artwork, furniture, clothes, etc.);
  - life insurance policy;
  - ecological land; and
  - Canadian cultural property,

  Note : Gifts in kind do **NOT** include services

Gifts and receipts: donation of services

- Services do not qualify as property and therefore do not qualify as gifts or for official donation receipts;
- A charity may issue a receipt if the following two distinct transactions take place:
  - a person performs a service and the charity pays for the service; and
  - the person voluntarily returns the payment to the charity as a gift.

- The second transaction is a gift and a receipt may be issued
    - The parties should exchange cheques; this provides an audit trail.

Gifts and receipts: gift certificates / gift cards

- A gift certificate donated by the issuer is not property and no receipt can be issued;
- A gift certificate purchased from the issuer and then donated to a charity is considered property and a receipt may be issued.

Gifts and receipts: directed donations

- Donors may give a general direction for their donations;
- Donors cannot choose the specific beneficiaries of their donations, but can still give to a particular program;
- The charity must be able to reallocate the donated funds within the program as it sees fit.

Gifts and receipts: advantages for donors

If the donor receives an advantage for a donation, part or all of the value of the payment may no longer qualify for a receipt. Advantages might include:

- a promotional item;
- a ticket to an event;
- use of property; or
- a dinner or performance at a fundraising event.

When a donor does not receive anything in return for a donation, he or she may get a receipt for the full amount of the gift.

Gifts and receipts: split receipting

When a donor receives an advantage, a charity uses the split receipting method to calculate the portion of the gift that is eligible for a receipt:

- Depending on the amount of the advantage, the charity may be able to issue a receipt for the difference (the value of the gift less the value of the advantage);
- The charity must be able to accurately determine the fair market value of the advantage.

Gifts and receipts: Fair market value (FMV)

What is fair market value (FMV)?

- Fair market value is normally the highest price, expressed in dollars, that property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.

Why is fair market value important?

- Receipts for gifts in kind must reflect FMV; and
- The FMV of an advantage must be figured out so that the split receipting calculation can be complete
- If FMV cannot be determined, the charity cannot issue an official receipt.

Gifts and receipts: Determining Fair market value (FMV) of gifts in kind

Property under $1,000:

- Competent person with sufficient knowledge can determine FMV

Property over $1,000:

- Professional appraiser not connected to the charity or donor should determine FMV

Property acquired less than 10 years ago or through a tax shelter arrangement:

- Deemed fair market value rule may apply

Gifts and receipts: transactions that generally don't qualify as gifts

- basic fees for admission to an event or program;
- payment for a lottery ticket or other chance to win a prize;
- the purchase of goods or services from a charity;
- loans of property, the use of a timeshare, or the lease of premises;
- gifts of services (for example, donated time, labour);
- a donation for which the FMV of the advantage or consideration provided exceeds 80% of the value of the donation;
- donations provided in exchange for advertising or sponsorship;
- a gift in kind for which the FMV cannot be determined;
- the payment of membership fees that convey the right to attend events, receive literature, receive services, or be eligible for entitlements of any material value that exceed 80% of the value of the payment;
- gifts of promises (for example, gift certificates donated by the issuer, hotel accommodation).

**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.

**Line 4510** – Enter the total amount of funds and value of property received from other registered charities. Note official donation receipts for income tax purposes should not be issued for amounts received from other registered charities.

Gifts and receipts: who is a Qualified Donee?

- A qualified donee is an organization that can issue official donation receipts for gifts it receives from individuals and corporations. It can also receive gifts from registered charities.
- A qualified donee can be:
    - a registered charity (including a registered national arts service organization);
    - a registered Canadian amateur athletic association;
    - a listed housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
    - a listed Canadian municipality;
    - a listed municipal or public body performing a function of government in Canada;
    - a listed university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada;
    - a listed charitable organization outside Canada to which Her Majesty in right of Canada has made a gift;
    - Her Majesty in right of Canada, a province, or a territory; and
    - the United nations and its agencies

**Line 4530** – Enter the total amount of all other gifts for which official donation receipts were not issued, excluding amounts on lines 4575 and 4630. Do not include revenue from governments or from fundraising on this line. Include money received from anonymous donors, Poor box collection, Black Bag collections, etc.

**Line 4565** – The charity may have received revenue from any level of government in Canada, including revenue received from government grants, contributions, and contracts for goods and services supplied directly to government. If so, please select "Yes". If yes, please enter an amount on line 4570.

**Line 4570** – Enter the total amount received.

**Line 4571** – Enter the charity's total amounts from all sources outside Canada (both government and non-government) included on line 4500, for which official donation receipts were issued.

**Line 4575** – Enter the charity's total amounts from all sources outside Canada (both government and non-government), for which official donation receipts were not issued.

**Line 4630** – Enter the total gross amount of all revenue from fundraising activities, including the gross amounts from activities carried on by the charity (for which official donation receipts were not issued). Revenue for which official donation receipts were issued should be reported as gifts on line 4500.

SSVP needs to recognize the significant contributions it receives from its donors. For goods donated, only record if you have a method to determine the fair market value and have entered it in your accounting system.

Some Fair Market Value (FMV) tools are available; please refer to:

**Fair Market Non-Cash Calculator**

https://donationcalculator.com/

**CRA - Determining fair market value of non-cash gifts**

https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/determining-fair-market-value-gifts-kind-non-cash-gifts.html

**Imagine Canada**

http://sectorsource.ca/managing-organization/gifts-and-receipting/determining-value-gifts

**H&R Block**

https://www.hrblock.com/tax-center/filing/adjustments-and-deductions/charitable-donations/

**Line 4640** – Enter the gross revenue received from the sale of all goods and services to individuals or organizations (except amounts reported on lines 4570 and 4630). Revenue from the sale of goods and services 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. Note that this is generally not applicable in the context of SSVP.

**Line 4650** – Enter the total of all other revenue received by the charity that is not already included in the amounts above. If applicable, you have to include any goods and services tax/harmonized sales tax (GST/HST) and provincial sales tax (PST) rebates on this line, as well as income from the rental or leasing of any equipment or other resources. Note: government rebates such as GST/HST and 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 to 4570, and 4575 to 4650.

**General info around pledges, bequests, donations-in-kind**

There are three types of contributions that create special accounting considerations:

- Pledges are commitments to provide donations in the future;
- Bequests are commitments in a donor's will to provide contributions to the organization; and
- Donations-in-kind are contributions of goods or services, rather than cash.

For pledges and bequests, the key issue is whether to record the commitment as a receivable, thereby increasing the assets of the organization. Judgment is required in deciding to record a particular pledge or bequest as a contribution receivable. Because of the non-reciprocal nature of contributions, there may be considerable uncertainty surrounding collectability.

Canadian accounting standards provide for recording a contribution receivable when the amount to be received can be reasonably estimated and when ultimate collection is reasonably assured. When collectability is uncertain, a contribution would not be recognized until it has been received. The further in the future the contribution is expected to be received the greater is the uncertainty associated with collectability.

The standards also require that the pledges and bequests that have been recognized as receivables be separately disclosed on the audited financial statements. Such disclosure helps financial statement users to understand the significance of these uncollected amounts to the organization's financial position.

For donations-in-kind, the key consideration for organizations that have chosen an accounting policy to record them in their financial statements is assessing the fair value of the donation of goods or services received.

Organizations typically develop accounting policies to cover the accounting treatment of these types of contributions. Once the policies are developed, they should thereafter be consistently applied.

Recognizing a Pledge

Whether a pledge will be collected depends on factors outside the organization's control, such as changing economic conditions and the continued goodwill and ability to pay of the donor. In many cases, pledges would not meet the criteria for recognition and therefore would not be recognized until the pledge is actually received. However, organizations that have large, annual fundraising campaigns may be able to use historical results to estimate the proportion of the total amount pledged that will be collected and could recognize that proportion as a receivable. The uncertainty associated with pledges due more than a year from the reporting date would normally preclude their recognition.

Recognizing a Bequest

Although donors may signal to the organization that they have included a bequest in their will, from an accounting perspective, there is considerable uncertainty on two fronts associated with a bequest: the timing of the receipt of the contribution and the amount that will be received. In most cases, a bequest contribution will not be recognized until it is actually received by the organization.

Recognizing Donations-In-Kind

Donations-in-kind also present accounting considerations that require judgment. If the accounting policy is to record donations-in-kind, a contribution of goods or services may be recognized in the financial statements when a fair market value can be reasonably estimated and when the donated goods or services would otherwise have been purchased. Fair market value would be estimated using market or appraisal values at the date of the donation.

**Registered charities and the Income Tax Act**

- The Income Tax Act permits registered charities to operate in only two ways:
  - Carrying on their own charitable activities;
  - Gifting funds to qualified donees;
    - Qualified donees are organizations that can issue official donation receipts for gifts that individuals and corporations make to them;
    - A registered charity cannot act as a conduit to channel funds to an individual or another organization that is not a qualified donee.

**Own activities**

- A charity's own activities are those conducted under its direction and control. They may be carried out by the charity's directors, employees or volunteers, or by its intermediaries (agents, contractors or partners).
  - Examples:

    - Operating its own educational scholarship program;
    - Operating a hospital that provides medical services to the sick;
    - Sending its volunteers to do missionary work in Africa
- A charity can also carry on its own activities through intermediaries both inside and outside of Canada;
- The charity must be able to show that it maintains direction and control over the use of its resources by the intermediary. The most effective way a charity can show direction and control is by using a formal, structured arrangement.
- There are many types of arrangements. Examples include:
    - Entering into a contract for services with an organization outside Canada to build a well on behalf of the charity;
    - Entering into an agency agreement with a teacher in a country outside Canada who will operate a school on behalf of the charity.

**Fundraising Guidance**

- Guidance CG-013, Fundraising by Registered Charities
  https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/fundraising-registered-charities-guidance.html
- Fundraising is any activity that includes soliciting present or future gifts of cash or gifts in kind, or the sale of goods or services to raise funds, whether explicit or implied;
- Fundraising must follow the rules set out in the Income Tax Act on how a charity uses its resources.

**Types of fundraising that are not acceptable**

- A charity's fundraising activities will not meet the requirements of the Income Tax Act if they:
  1. form a collateral purpose – Fundraising is not a purpose, relief of poverty is;
  2. provide inappropriate private benefit to any person or company;
  3. are illegal, or contrary to public policy;
  4. are deceptive or misleading to the public;
  5. form an unrelated business.

**Unacceptable fundraising: Collateral purpose**

- The CRA's position is that fundraising is not a charitable purpose;
- Charities must have exclusively charitable purposes:
    - relief of poverty
    - advancement of education
    - advancement of religion
    - other purposes beneficial to the community

- Charities may therefore not have fundraising as a purpose – it can only be an activity to support their charitable purposes.

**Unacceptable fundraising: Excessive private benefit**

- A charity must be formed to benefit the public, not to deliver a private benefit to a person or company;
- However, delivering some incidental private benefit can be acceptable;
- For example, incidental private benefit could include purchasing fundraising goods or services at fair market value, from which the supplier earns a profit.

**Unacceptable fundraising: Illegal or contrary to public policy**

- Fundraising is illegal if:
  - it is criminally fraudulent;
  - it violates federal or provincial statutes;
- Contrary to public policy means fundraising that results in harm to the public interest:
  - associated costs are not reasonable, justifiable, or "proportionate to the amount of money raised for charitable purposes" and/or
  - the public is misled about whether donated amounts go to a charitable purpose or to pay the fundraising company collecting them.

**Unacceptable fundraising: Deceptive or misleading**

- Deceptive fundraising practices have a negative impact on public trust and on the integrity of the tax regime governing registered charities;
- As a rule, the negative impact of deceptive fundraising practices outweighs the public benefit of the charitable work supported by a charity's fundraising.

**Unacceptable fundraising: Unrelated business**

- Charities may only operate a business that is a related business;
- A related business is:
  - operated substantially by volunteers; or
  - linked and subordinate to a charity's purposes.
- Simply using the profits from a business activity for a charitable purpose does not constitute a related business;
- See Policy Statement CPS-019, What is a Related Business?
  https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-statement-019-what-a-related-business.html