



Financial Handbook for Congregations

2017



The United Church of Canada
L'Église Unie du Canada



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L'Église Unie du Canada



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The United Church of Canada
L'Église Unie du Canada
3250 Bloor St. West, Suite 300
Toronto, ON
Canada M8X 2Y4
1-800-268-3781
www.united-church.ca

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1. What's New

1.1 What's New for 2017

Virtually all forms and information you need today are online and often available as fillable forms. This handbook does not attempt to maintain the most current Web links or present data that changes regularly. A church treasurer should bookmark at least a few key pages at www.united-church.ca and also with CRA Charities Directorate.

We offer a number of how-to webinars and videos at <https://vimeo.com/album/1517634>.

There are a lot of changes with the Canada Revenue Agency (CRA). The CRA has made major improvements to their website and made information much easier to access:

www.cra-arc.gc.ca/chrts-gvng/menu-eng.html

New T3010

One area of increased danger is in the timing of revocation of charitable status due to late filing of the T3010. There used to be more latitude. Now the CRA notification process is fully automated, and revocation occurs immediately after the stated deadline. A \$500 fine/fee is now routinely charged for re-registration. The most important thing a treasurer can do to protect the charitable status of their congregation is to file the annual return on a timely basis. This should also be a routine annual status reporting item to the church board.

Audits

Of course, more audits are being done every year, so have your books in order and be prepared. Why does the CRA audit charities? The CRA conducts audits to ensure compliance with the Income Tax Act and regulations relating to charities.

A charity must comply with the requirements of the Income Tax Act. In particular it must

- devote all of its resources to charitable purposes and activities
- not pay or provide benefit to its directors, trustees, or members
- properly issue official donation receipts
- keep proper books and records at a location in Canada and make them available to the CRA upon request
- file an annual information return within six months of the end of its fiscal period, including reporting any political activity
- meet its disbursement quota (which is now a mere technicality)

Honorarium Eligibility vs. Part-time Employee

Most regular arrangements in a church setting should be structured as part-time employment. Among other things, this means payments are subject to source deductions for CPP and EI.

Internet Banking and Transactions Are OK

We used to advise against these, but the world has changed.

New Sections and Reference Materials for Amalgamations and Other Restructuring

See section 8.9.6.

2. Introduction

We are pleased to provide the *Financial Handbook for Congregations 2017*. This handbook includes resources and information for church leaders and treasurers on a variety of current financial and legal issues.

This edition has been substantially rewritten to reflect the most current developments and best practices in church administration. We include practical checklists, sample forms, and how-to guidance. The overall goal is to demystify church administration and promote a broader understanding of the treasurer's work and role.

In addition to this handbook, we have many tools available online that change frequently or don't lend themselves to print easily. We are in the process of linking all of these to a single webpage, which you may want to bookmark: www.united-church.ca/leadership/church-administration/local-administration.

This handbook has typically been issued in hardcopy every two years (in even-numbered years), with a minor supplement updating payroll tables and other information each year. In future, the online version will be updated as any material changes arise.

2.1 Contacts and Questions

Whatever issue your congregation or treasurer is facing, you are not alone. Depending on the topic, we have expertise in other congregations, in our presbyteries, in our Conferences, and at the General Council Office.

Online reference materials have also improved immensely in recent years, notably the Canada Revenue Agency—Charities Directorate and our own church site.

Generally, we recommend that you explore internal avenues before contacting the CRA. This is especially true if you need to initiate corrections, re-registration, and so on.

2.1.1 The United Church of Canada

The *Financial Handbook for Congregations* can be downloaded from www.united-church.ca/handbooks.

If you need more information or wish to provide feedback on future editions of this handbook, please contact

Erik Mathiesen
 Chief Financial Officer
 The United Church of Canada
 Phone: 416-231-5931 or 1-800-268-3781, ext. 4022
 Voicemail: 416-231-7680, ext. 4022
 Fax: 416-231-3103, attn: Erik Mathiesen
 E-mail: emathiesen@united-church.ca

If you have a question, the various units at the General Council Office are happy to help. In each case you can call the main switchboard at 416-231-5931 or 1-800-268-3781, or you can contact the unit directly using this list:

All treasurer inquiries: 416-231-7680, ext. 4147

Philanthropy: 416-231-7680 or 1-800-268-3781, ext. 2021

Financial Services: Use the main number, 416-231-5931 or 1-800-268-3781

Gift Planning Office: Use the main number, 416-231-5931 or 1-800-268-3781

Information and Statistics Coordinator: 416-231-7680 or 1-800-368-3781, ext. 2031;
 e-mail Susan Jackson: sjackson@united-church.ca

2.1.2 Ministry and Employment

Pension and Benefits Administration	David Dawrant Phone: 416-231-7680 or 1-800-268-3781, ext. 3151 E-mail: ddawrant@united-church.ca
Compensation and ADP Payroll Administration	Lee Corlett Phone: 416-231-7680 or 1-800-268-3781, ext. 3118 E-mail: lcorlett@united-church.ca
Program Coordinator for Ministry Personnel Administration	Wendy Cranston Phone: 416-231-7680 or 1-800-268-3781, ext. 3113 E-mail: wcranston@united-church.ca

Ministry and Employment	<p>Website: www.united-church.ca/leadership/church-administration/ministry-personnel-and-staff</p> <p>General inquiries: 416-231-7680 or 1-800-268-3781, ext. 3161</p> <p>E-mail: MinistryandEmployment@united-church.ca</p>
Connex (Ministry and Employment newsletter)	<p>Website: www.united-church.ca/leadership/church-administration/group-benefits</p>
Pension and benefit budgeting tools	<p>Website: www.united-church.ca/leadership/church-administration/budgeting-tools-treasurers</p>
The United Church of Canada Benefits Centre	<p>Website: www.uccan-benefitscentre.ca</p> <p>Client Services phone: 1-855-647-8222 or 905-480-8222</p> <p>E-mail: questions@uccan-benefitscentre.ca</p>
Shepell-fgi: Employee Assistance Program	<p>Website: www.shepellfgi.com</p> <p>Phone: 1-800-387-4765 (English services) 1-800-361-5676 (French services)</p> <p>Active (not retired) members of the United Church Benefits Plans have access to immediate, confidential short-term counselling for any concern, 24 hours a day, 7 days a week.</p>
ADP Canada (ADP): Pastoral Charges Payroll Service Provider	<p>Website: www.adp.ca</p> <p>Client Services phone: 1-877-701-7017</p> <p>Client Services fax: 1-877-701-7329</p>
Canada Revenue Agency (CRA)/Revenu Québec (RQ)	<p>Website: www.cra-arc.gc.ca/menu-eng.html</p> <p>Site web : www.revenuquebec/en</p> <p>Tax Information Phone Service: 1-800-267-6999</p> <p>CRA automated service is available 24 hours a day, 7 days a week. Telephone agents are available Monday to Friday (except holidays) 8:15 a.m. to 8:00 p.m. (local time)</p>

2.2 Resources Used in Compiling This Guide

If you want to do more research into the financial and legal matters of charities, the CRA website and the *2016 Charities Handbook* listed here are the most user-friendly and helpful for specific queries.

Bourgeois, Donald, *The Law of Charitable and Not-for-Profit Organizations*, 3rd ed. (Markham, ON: Butterworths, 2002).

Bruce, William, ed., *Taxes and the Church* (The United Church of Canada, 1996). [Out of print]

Canada Revenue Agency—Charities Directories

Website: www.cra-arc.gc.ca/charities

Forms & Publications: www.cra-arc.gc.ca/formspubs

Phone in the Ottawa area: 1-800-267-2384 (English) or 1-888-892-5667 (bilingual)

Toll-free elsewhere in Canada: 1-800-267-2384 (English) or 1-888-892-5667 (bilingual)

Business inquiries: 1-800-959-5525

Fax: 613-954-2586 Director General
613-946-2423 Corporate and Information Program
613-952-6020 Assessment and Determinations
613-954-8037 Client Service
613-957-8925 (Monitoring)

Carters Professional Corporation, www.carters.ca

Charity and Not-for-Profit Law, www.charitylaw.ca

Douma, Teresa A., *2016 Charities Handbook: The Comprehensive Guide for Charities* (Elmira, ON: Canadian Council of Christian Charities, 2016).

Drache, Arthur B.C., Robert Hayhoe, and David Stevens, *Canadian Taxation of Charities and Donations* (Toronto: Carswell, updated annually).

Imagine Canada, www.imaginecanada.ca (formerly the Canadian Centre for Philanthropy)

The United Church of Canada, *Trustees Handbook with Concordance, 2016* (Toronto: The United Church of Canada, 2016). Download from www.united-church.ca/handbooks.

——— *The Manual, 2016* (Toronto: United Church Publishing House, 2016). Can be ordered from UCRD or downloaded from www.united-church.ca/handbooks.

3. Financial Management for Charities

3.1 Introduction

The financial matters of a congregation are often perceived as more complicated than they really are. It is important to work to dispel myths about keeping financial records so financial statements are made more accessible and understandable, and more people are encouraged to take on the role of treasurer. That said, compliance requirements for payroll taxes, maintaining charitable status, maintaining bank and investment accounts, etc. are increasingly complex.

Some of the more complex sections of this handbook (GST, HST registrant rules, disbursement quota calculations, and so on) do not apply to most congregations.

Details about the role of treasurer follow, but a number of resources are available to get a good background in basic bookkeeping principles (see section 3.6A).

3.2 The Treasurer

The functions performed by the treasurer are crucial to the financial operations of the pastoral charge and to the congregation's stewardship of the financial resources entrusted to it. The treasurer is therefore a key member of the team that enables the pastoral charge to carry out its mission. The treasurer also plays an important role in ensuring the pastoral charge's compliance with government legislation and procedures, and with United Church policies regarding financial matters. With accurate and accessible records kept by a church treasurer, congregations are fully equipped to work together to determine annual budgets and future missions.

The bylaws of the United Church require that the temporal and financial affairs of the congregation be managed by a committee, and that a treasurer be elected for each pastoral charge or congregation. The treasurer must be a member of the congregation. Where a qualified volunteer helps maintain the books but is not a member, this means you may need to split the treasurer governance role from the administrative financial administration role. In effect, the treasurer is delegating certain tasks to a qualified individual.

The Manual, 2016

See section G.4.2.2 beginning on page 143: www.united-church.ca/handbooks.

4.2.2 General Oversight

The governing body is responsible for

- (a) overseeing fundraising for the ministry of the congregation or pastoral charge and of the wider United Church;
- (b) ensuring that funds received for the ministry of the congregation or pastoral charge are disbursed as set out in the approved budget;

There is an order of priority that must be followed when funds are being disbursed.

See section G.4.2.4 below.

- (c) presenting independently reviewed financial statements to the congregation or pastoral charge at the annual meeting for
 - (i) the receipts and expenses of the congregation or pastoral charge;
 - (ii) the receipts and expenses of the trustees of the congregation or pastoral charge; and
 - (iii) the receipts and payments of money given to the Mission and Service Fund; and
- (d) overseeing the financial situation of the congregation or pastoral charge between its annual meetings

...

4.3.1 Treasurer of Congregation or Pastoral Charge

The treasurer of the congregation or pastoral charge has the following responsibilities:

- (a) receiving all funds for the ministry of the congregation or pastoral charge from offerings and other sources;
- (b) disbursing these funds under the direction of the governing body;
- (c) keeping records of all receipts and disbursements; and
- (d) reporting on the funds as required by the governing body or committee responsible

3.3 Duties of the Treasurer

The treasurer serves the church board and congregation. He or she “keeps score” and advises on compliance matters, but any unusual transactions, restriction of funds, and so on should always be approved by the board or congregation.

We cannot stress this enough: The treasurer is responsible for reporting what the situation is, not for the situation itself. They may occasionally need to report disappointing information or caution against something others want to do. If you are a treasurer, remember that you are not alone! It is common to feel personally responsible for the results being reported, but try to resist this.

A treasurer must be careful to follow a schedule of duties throughout the year. See section 3.6B: Accounting Duties Checklist to help with this.

General Oversight

The treasurer is responsible for the oversight of all revenues and expenses of the church. This includes oversight of groups in the church that may have their own bank accounts, such as the youth group, UCW, and so on. There may be several different treasurer roles at the pastoral charge level, but the only one recognized by the CRA is the person who files the T3010 Registered Charity Information Return.

Meeting Payroll

The timely and accurate handling of payroll is a top priority. The detailed calculations and remittances are now fully automated with the pastoral charge payroll service. The treasurer is responsible for initial setup and ongoing updates as needed—and, of course, for ensuring there is enough cash in the bank! See section 4: Paying Staff.

Stewardship Support

The treasurer may or may not be directly involved in the stewardship program but should make financial information and statistics available as needed to support effective stewardship.

In most churches, givings are confidential. It is recommended however, that congregations consider having donor information available—on a very limited and confidential basis—to support stewardship efforts. See section 5: Funding God’s Mission: Generating Income.

Disbursements

The treasurer makes all disbursements and records all receipts under the direction of the committee of stewards (or finance committee), and keeps proper bookkeeping records of all transactions. It is reasonable to authorize the treasurer to make disbursements for salaries, local taxes on the manse, light, water, fuel, telephone, and similar items.

Unusual payments should not be made without approval in advance by the committee. The treasurer should regularly report to the committee all disbursements made in the period leading up to a meeting of the stewards, as well as any accounts to be approved for payment.

Financial Statements

At agreed-upon intervals, the treasurer presents to the committee of stewards statements showing the financial position of the church for the period.

Insurance Premiums

Pastoral charge insurance premiums should be paid as they become due in order to avoid losses or cancellation of coverage. Actions taken on premiums should be reported promptly to the board of trustees.

Protecting Cash

The treasurer is responsible for monies entrusted to the pastoral charge and should take care to protect these against loss or theft. See section 6.2: Internal Controls for more on best practices.

Charitable Receipts

Contributors must be given charitable donation receipts for income tax purposes at the end of each year, specifying the amount of their contribution for local purposes, to Mission & Service, and to any special funds. This task is preferably done by someone other than the treasurer, such as an envelope steward.

Take great care to ensure that gifts are properly receipted and eligible. In particular, a church cannot be a “conduit” for a donation that would qualify as a charitable gift otherwise. This issue comes up most often with community appeals and member pet projects. See section 8: Maintaining Charitable Status for important details.

Reconciliation

The treasurer should perform a reconciliation of total revenues received compared with tax receipts issued at year-end and be subject to third-party review.

Budget Development and Monitoring

The treasurer plays a key role in developing the annual budget and monitoring the expenses throughout the year. Actual income and expenditures need to be checked closely and regularly so adjustments to the budget can be made when necessary to ensure adequate cash flow.

Accounts Payable

A bill, invoice, or written request for reimbursement is needed for every cheque drawn. File all documents to compare with cancelled cheques occasionally. Do not sign cheques without documentation of the expense.

Monthly expenses should be consistent with categories established in the church budget. Blank cheques should *never* be pre-signed by one of the signing officers.

Security of Information

Some kinds of information should be kept confidential, including but not limited to information related to the bank accounts of people who contribute by PAR, and personal information such as dates of birth of members of the church board or council. The board may want to decide who has access to what information and how to safely store this information. You may also need to develop policy on such issues as locked files and computer security.

Planning for and Handling Treasurer Succession

Ideally a successor to the treasurer is identified well in advance so the successor can work with the treasurer for a transition period of three months before and three months after the fiscal year-end.

Even where this kind of transition is not possible, the new treasurer should work with the past treasurer on new or infrequent items. It is especially important to ensure a smooth transition in payroll.

Annual United Church Information Filing

Treasurers are asked to enter the financial information of the church on the annual Statistical and Information Forms. See section 6.4 for details.

Canada Revenue Agency (CRA) Compliance

Treasurers ensure that all CRA reporting is submitted on a timely basis and that church practices adhere to published regulations and guidelines.

3.4 Accounting Practices

One of the duties of a treasurer is to keep accurate, up-to-date accounting records for the congregation. Most pastoral charges have some type of computer system in place. We provide paper samples in this handbook only as visual aids.

Accounting systems differ from one pastoral charge to another because of the charges' different needs, the skills and preferences of the treasurers, and so on. The most effective accounting system is one that is simple, easy to use, and provides timely and accurate information.

The basic principles apply whether a traditional ledger book or an advanced church software application is used. Accounting for a congregation should be designed to help the congregation determine how to meet expenditures set in the budget for programs and projects, and the system should be organized to be useful and informative.

3.4.1 Books of Account

At a minimum, **payroll transactions**, **receipts**, and **disbursements** should be recorded in separate journals.

A **journal** lists all day-to-day transactions. It is organized chronologically and shows all the information about each transaction in one place: date, details of the transaction, names of the accounts to be debited and credited, and amounts of the debits and credits. Each debit or credit must be balanced.

At intervals (usually each month), the debits and credits are transferred from the journals and posted to the **general ledger** by copying each debit or credit amount to the appropriate account. The ledger is composed of groups of accounts that have some common characteristic, usually asset, liability, reserve, expense, and revenue accounts. The purpose of the ledger is to classify and summarize data according to function, while the purpose of the journal is to provide a detailed chronological history of financial transactions.

Accounting software reduces the amount of time spent on bookkeeping by automating many tasks, such as doing calculations and transferring transactions from journals to ledgers.

See sections 3.6C and D for examples of a cash receipts journal and a cash disbursements journal.

3.4.2 Fund Accounting

In addition to regular contributions allocated to local ministry and to Mission & Service, a pastoral charge will likely receive funds designated for other specific uses—for example, a special fundraising campaign, an outreach program, bequests, and trusts. These receipts must be accounted for separately, typically by establishing a separate fund.

For more information on Mission & Service, please refer to section 5.11.

3.4.3 Capital Asset Accounting

For many years, charities were exempt from rigorous capital asset accounting rules that applied to for-profit organizations. Church accounting was done largely on a cash basis, and even major purchases were expensed as opposed to being capitalized with an annual allocation of depreciation expense. Today, however, rules and guidelines have changed.

Many church building assets are not reflected on church financial statements even though they may have considerable economic value. This is because, until 1997, charities were not required to show physical assets on their balance sheets. Fully paid-for older buildings were and are often shown at original book value or considered fully depreciated.

This produces an odd accounting result when renovations are undertaken. The value of the renovation must be capitalized under new accounting rules, while the more expensive asset remains off the books.

Generally, treasurers should try to minimize accounting for depreciation by

- establishing a capital asset accounting policy that allows items up to a certain dollar threshold to be expensed (for example, computers)
- intentionally depreciating assets as quickly as possible while complying with accounting standards

3.4.4 The Church Budget

A church budget reflects the plans and ministries of the local church. By assigning dollars to the ministry areas, the budget is a means of helping the church achieve its goals.

A good budget

- helps build a vision for the year ahead
- helps the church implement and prioritize current programs or ministries
- provides a way for church members to work together
- gives direction for using available funds
- encourages accountability and transparency
- challenges members to provide funds to ensure the work of the church can be carried out
- authorizes church leaders to act within guidelines

A budget shows what the congregation values. It defines the programs the congregation is committed to providing. It needs to reflect the giving potential of the members, the previous year's financial information, and the needs defined for the local church. It should include a challenge for growth in giving. If stewardship education is practised and the budget expresses the mission of the church in an exciting and understandable way, members will rise to the challenge of providing the funds needed.

The treasurer generally assists with preparing the budget during the last quarter of the year. The budget is presented to the church board or council on behalf of the committee of stewards. After being approved by the committee, it is brought before the pastoral charge at the annual meeting for final approval.

3.4.5 Financial Statements

Each month—or at least quarterly—the treasurer prepares financial statements (or at least the statement of receipts and disbursements) for the committee of stewards, the church board, and the pastoral charge. The treasurer should also report on the finances of other groups that may have their own account and method of reporting, since the treasurer is responsible for overall financial management.

Examples of a balance sheet and a statement of receipts and disbursements can be found in sections 3.6E and F. Original bank statements for all accounts should be reviewed monthly by the council executive or chair.

A financial statement should

- be straightforward and easy to read
- provide a comparison with the figures in the budget
- be prepared on a timely basis
- communicate what has happened and the financial health of the church
- compare figures with the previous year, to help assess the financial position of the pastoral charge

Only general information on the cost of salary and benefits can be shared with a congregation. Please note that staff payroll information is confidential and should be protected at all times.

Financial statements are typically made up of the following:

- a statement of assets and liabilities (balance sheet)
- a statement of revenues and expenses (income statement)
- notes (if applicable)

3.4.6 Multi-Point Charge Accounting Systems

An accounting system for a multi-point charge is more complex than that of a single-point charge. It is also important to align multi-point recordkeeping with the way charitable status is maintained with the CRA.

If individual points are registered as charities and file a T3010 Registered Charity Information Return, then financial records need to be structured accordingly. If the pastoral charge is the registered charity, then one set of books might suffice except to the extent that each point wishes additional detail.

Here are some options:

- Have one treasurer for the whole pastoral charge. The treasurer maintains a complete set of books, with the preaching points keeping minimum records of donations/contributions only. This option is appropriate when the pastoral charge is the registered charity. Ensure tax receipting is consistent and compliant among all points

- in the charge.
- Each preaching point keeps its own set of books, and the financial reports are consolidated at year-end. This works regardless of whether the pastoral charge or each preaching point has charitable CRA registration.
 - The system used is a combination of the options above. In this situation, it's especially important to avoid duplication in all reporting.

The best accounting system is the one that the people who volunteer to do the work can agree on as long as it results in reliable, accurate, and timely reports that meet the needs of the pastoral charge.

3.4.7 The Audit or Independent Review

This is an area where policy is evolving quickly and congregations may need to consider the extent to which they are able to comply with best practices. First of all, the term “audit” as defined in *The Manual* is broader than what is used or understood in business. It really means “independent review” in a church setting—which may mean a professional audit but often does not.

The primary purpose of having financial statements and financial processes reviewed by an independent third party is to reassure the congregation and protect the treasurer in much the same way the United Church has controls to protect other volunteers.

Unless a ministry is incorporated, there are no regulatory requirements for audited statements. The accounting profession has become more rigid about volunteers providing audit assurance, and real audits have become more expensive than many congregations can afford.

Make sure the board and congregation have a clear understanding of the extent of independent review. See section 6.3 for more detail.

3.5 Accounting Procedures Questionnaire

- Does the church have an up-to-date accounting procedures manual?
- Does the church have clearly defined procedures for counting and recording the offering, and are the procedures followed?
- Is there adequate separation of duties for all individuals who deal with money?
- Are the accounting records safeguarded at all times?
- Is a computer backup kept at another location?
- Are the accounting records and internal controls audited or reviewed annually?
- Are collections always handled by two or more people who are at arm's length, and is there a rotation of people to perform this task?
- Are collections counted in a secure area in the church and then immediately deposited in the bank?
- Has the bank been instructed to never cash cheques that are made payable to the church or to cash?
- Are bank reconciliations done each month by an individual who is not involved in handling cash or writing cheques?
- Does the board executive see the actual bank statements for all accounts each month? (This review may be delegated to one or more individuals.)
- Are a minimum of two signatures required on all big cheques, and are the cheque signers at arm's length?
- Do all cheque signers inspect and initial all supporting documents before signing cheques?
- Is an up-to-date inventory of securities, valuables, equipment, and other non-cash assets maintained and reviewed annually?
- Are regular reviews done to determine whether insurance coverage is adequate?
- Are annual filings up to date? This includes the T3010 Registered Charity Information Return, the United Church Annual Statistical Report (blue forms), tax rebate applications, and so on.

3.6 Supplement

- A. Resources for Financial Management
- B. Accounting Duties Checklist
- C. Sample Cash Receipts Journal
- D. Sample Cash Disbursements Journal
- E. Sample Balance Sheet
- F. Sample Statement of Receipts and Disbursements
- G. Sample Depreciation Schedules
- H. HST Overview for Treasurers

A. Resources for Financial Management

The best and most cost-effective source of advice is internal: other United Church practitioners, including other local treasurers; presbytery and Conference committees; the General Council Office; and so on. The staff of the General Council Office (see contacts in sections 2.1.1 and 2.1.2) can offer assistance or referrals to other resources for any questions.

If you do have the need, desire, and budget to hire expertise, consultants can provide individualized training programs, and some also conduct seminars and workshops for many organizations at once.

B. Accounting Duties Checklist

Weekly

1. Enter the weekly contributions in the cashbook.
2. Pay all accounts and invoices that are due.

Monthly

1. **Payroll: the Pastoral Charge Payroll Service, processed through ADP.** Ensure any changes to the payroll system have been correctly reported to the ADP representative and there is enough cash on hand to cover the automated process. Staff payment, government remittances, and pension and benefit obligations will all be taken care of automatically. Review reports from ADP and update journal entries to reflect current activity.
2. Pay all accounts and invoices that are due.
3. Balance all accounts, and reconcile cashbook balance with the bank account.
4. Post ledgers where applicable.
5. Prepare financial reports for files or meetings.
6. Reconcile all bank accounts.
7. Show council executive or chair original bank statements for **all** accounts each month.
8. Remit Mission & Service funds to the Treasurer of The United Church of Canada if the charge has no Mission & Service treasurer. Otherwise, transfer the funds to your Mission & Service treasurer.

Semi-Annually

Apply for a Goods and Services Tax (HST where applicable) rebate twice per fiscal year, at most. Many treasurers file annually.

If the rebate amount is significant, it may be useful to file semi-annually. (The deadline is four years from the end of the claim period to file your rebate application.)

Annually

1. Prepare annual financial statements.
2. Assist in preparing the budget for the ensuing year.
3. Do annual payroll filing.

Payroll through ADP:

- Review ADP T4 and Year-End Reports.
- Make any corrections or one-time annual entries. Deadlines for corrections are communicated by ADP in November of each year.
- Sign off for automated processing and submission.

4. Complete and forward to the Charities Division, Canada Revenue Agency, **Form T3010 Registered Charity Information Return**. This return must be filed no later than six months after the end of the fiscal year of the charge. **Failure to file a T3010 will result in loss of charitable status!**
5. Arrange for the envelope steward to issue receipts to contributors for income tax purposes. In Quebec, receipts must be issued to contributors in duplicate.
6. Arrange for the envelope steward to issue weekly offering envelopes to contributing members. For new members joining during the year, envelopes are supplied at the time of reception.
7. Prepare schedules and organize financial information for annual audit.
8. Arrange for a copy of the Minimum Salary and Allowances for Ministry Personnel (www.united-church.ca/leadership/church-administration/compensation-model) to be given to the chair of the Ministry and Personnel Committee. These are usually available by summer for the following year.
9. File annual returns and remit Goods and Services Tax installment (applies to those very few churches that are registered for GST).
10. Complete the annual Statistical and Information Forms from The United Church of Canada: Section 4—Property and Insurance Information, and Section 5—Financial Information.

One-Time Events

Major property sales, restructuring of multi-point charges, amalgamation, or closure of congregations are all rare events in the tenure of any treasurer. However, across the country a wealth of experience and resources are available on these topics.

If your congregation is contemplating any unique, one-time transaction, review the applicable sections in this handbook as a starting point. Then contact presbytery, Conference, or General Council Office staff for more specific advice.

Remember, any of the above events require partnership with and approval from presbytery.

C. Sample Cash Receipts Journal

United Church
(non-registrant for GST purposes)

Cash Receipts

Date	Bank	Contributions	Other	Amount
20__	\$	\$		\$
Jan 5	1,923.00	1,923.00		
7	1,450.00		Hall rental - Athletic Club	100.00
7			Parking lot - Monthly passes	1,350.00
12	1,786.00	1,786.00		
13	1,560.00		Catering service	1,560.00
13	100.00		Hall rental - daycare	100.00
19	2,212.00	2,212.00		
26	2,027.00	2,027.00		
	<u>11,058.00</u>	<u>7,948.00</u>		<u>3,110.00</u>

D. Sample Cash Disbursements Journal

United Church
(non-registrant for GST purposes)

Cash Disbursements

Date	Payee	Chq#	Bank	Detail	Amount
20__			\$		\$
Jan 15	S. Brown	18	325.00	Payroll clearing	325.00
15	J. Green	19	700.00	Payroll clearing	700.00
15	K.L. Supplies	20	741.75	Office expense	723.66
				GST Recoverable	18.09
15	Receiver General of Canada	21	1,115.40	Employee-Tax Deduction	662.40
				Employee-CPP	133.30
				Employee-EI	319.70
15	Telephone Company	22	155.92	Telephone	152.12
				GST Recoverable	3.80
15	ABC Publications	23	147.26	Printing	143.67
				GST Recoverable	3.59
15	Johnson Agency	24	550.00	Insurance	550.00
15	Flower Centre	25	48.30	Flowers	47.12
				GST Recoverable	1.18
15	The United Church of Canada	26	3,429.05	M&S (Dec)	3,429.05
31	Business Centre	32	304.28	Office expense	296.86
				GST Recoverable	7.42
31	S. Brown	34	374.37	Payroll clearing	374.37
31	J. Green	35	758.04	Payroll clearing	758.04
31	XYZ Presbytery	36	604.05	Assessments	604.05
	Total		9,253.42		9,253.42

E. Sample Balance Sheet

_____ United Church Balance Sheet
 _____, 2017

	2017	2016
Assets		
Petty Cash		
Bank Accounts		
Accounts Receivable		
Term Deposits		
Total Assets		
Liabilities		
Accounts Payable		
Current M&S Payment		
Benevolent Fund		
Payroll Clearing		
Due to Trustees		
Reserve — Office Equipment		
Other Reserves		
Total Liabilities		
Operating Reserves		
Major Repairs		
Surplus (Deficit)		
Income Transfer		
Total Operating Reserves		
Total Liabilities & Reserves		

F. Sample Statement of Receipts and Disbursements

_____ United Church
Statement of Receipts and Disbursements for period ending _____, 2017

	Current Month		Year to Date			
	Budget	Actual	Budget	Actual	Variance	2016 Actual
Receipts						
Local:						
Contribution						
Use of rooms						
Other						
M&S:						
Contribution						
Total Receipts						
Disbursements						
Salaries & benefits						
Assessments						
Flowers						
Repairs & maintenance						
Manse expense						
Utilities						
Insurance						
Office supplies						
Postage						
Telephone						
Car expense						
Books						
Local — Total M&S						
Total Disbursements						
Surplus (Deficit)						
Receipts over						
Disbursements						

G. Sample Depreciation Schedules

Capital Cost Allowance (CCA) is the means by which we may claim depreciation expense. Depreciable items belong to different classes that depreciate at different rates and are subject to different rules.

Some examples of asset classes:

Class	Rate	Description
Class 1	4%	Buildings acquired after 1987
Class 3	5%	Buildings acquired before 1987
Class 8	20%	Assets not included in other classes
Class 10	30%	Cars costing less than \$30,000
Class 12	100%	Small equipment and tools costing less than \$500
Class 14	Length of life of property	Franchises, concessions, patents, and licences
Class 17	8%	Parking lots
Class 43	30%	Machinery and equipment used for production
Class 45	45%	Computer equipment and systems software acquired after March 22, 2004

H. HST Overview for Treasurers

Ontario Example for Accounting (13% HST: 5% federal, 8% provincial)

\$100 item with GST and PST

<i>Current accounting</i>		<i>After July 1</i>	
Debit expense	110.50	Debit expense	103.94
Debit GST receivable	2.50	Debit Rec. GST portion	2.50
Credit bank	113.00	Debit Rec. PST portion	6.56
		Credit bank	113.00

If you don't account for GST as a receivable, you will need to track two buckets of GST paid and apply the appropriate rebate rate (50% for federal portion, 82% for provincial portion). You shouldn't use a blended rebate rate because some purchases may be HST-exempt.

Other Provincial Rates

British Columbia	Zero (57% from July 2010–March 31, 2013)
Nova Scotia, New Brunswick, Newfoundland and Labrador	50%
Prince Edward Island	35% (beginning April 1, 2013)
Ontario	82%
Other	Zero; federal GST only (50%)

HST Rebate Forms

- How-to guide (RC4034): www.cra-arc.gc.ca/E/pub/gp/rc4034/README.html
- Provincial form (RC7066): www.cra-arc.gc.ca/E/pbg/tf/rc7066-sch/README.html
- Federal form (GST66): www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html

Congregations will not normally need to be GST/HST registrants. GST/HST is generally not charged for rental income and other goods that don't meet the CRA test of "taxable goods."

For more information contact the CRA or

Maria Pimpinella
Mission through Finance
The United Church of Canada
Toll-free: 1-800-268-3781, ext. 4147
Phone: 416-231-7680, ext. 4147
mpimpinella@united-church.ca

4. Paying Staff

Note: Chapter 4 has been updated for 2019. See www.united-church.ca/leadership/church-administration/pastoral-charge-payroll-service for the revised Chapter 4.

4.1 Payroll Service (ADP) Policy

The United Church of Canada's policy for processing payroll for ministry personnel in pastoral relationships earning more than \$5,000 per year requires that the payroll be processed through the payroll service administered by ADP (Automatic Data Processing Inc.).

4.1.1 Processing Payroll for Lay Employees

Enrolment is optional for lay employees; however, it is recommended that they be included in the payroll service along with ministry personnel. For lay employees not included in ADP, the ministry unit is responsible for making all necessary remittances on behalf of that employee. This includes income tax, Canada Pension Plan contributions, Employment Insurance premiums, and deductions for United Church pension and benefits. Manual invoicing for pension and benefits remittances must be arranged through the General Council Office (1-800-268-3781, ext. 3010—Pension & Benefits Administrator) at a current cost of \$55 per month.

4.2 Steps to Ensure Payroll Success

1. Review the following documents at www.united-church.ca:
 - ADP Orientation and FAQs
 - Understanding ADP Payroll Reports
 - Minimum Salaries for Ministry Personnel (updated annually)
2. Review *Connex*, a quarterly publication distributed to ministry units providing updates from the General Council Office's Ministry and Employment Unit. If your ministry unit does not currently receive *Connex*, or you wish to receive a regular electronic version, contact MinistryandEmployment@united-church.ca, 1-800-268-3781, ext. 3161.

All information related to payroll, pension, and benefits is confidential and should be located in a protected location accessible only to authorized individuals.

4.3 ADP Summary of Services

- Receives payroll changes from the **ADP authorized contact**, and processes the payroll according to the **payroll frequency option** and **processing option** chosen by

- the ministry unit
- Calculates employee pay, and deposits pay to the employee bank account
 - Calculates and remits **statutory deductions** to the applicable government agencies
 - Calculates and remits pension and benefits deductions to The United Church of Canada
 - Debits the ministry unit bank account
 - Produces **payroll reports** (including the Statement of Earnings and Deductions)
 - Prepares the **Record of Employment** when necessary
 - Produces and **files year-end tax forms**

4.3.1 ADP Authorized Contact

The payroll administrator must be an authorized contact in order to speak with ADP about the ministry unit's payroll or to access payroll reports provided online.

To become an authorized contact, a current authorized contact from the ministry unit must contact ADP Client Services (1-877-377-4784) to obtain the required forms. If no current authorized contact is available to sign the forms, call the Payroll Service Information Line at the General Council Office (1-800-268-3781; press 1).

It is advisable to have two authorized contacts just in case one becomes ill or otherwise unavailable to administer the payroll.

4.3.2 Payroll Frequency Option

ADP can process payrolls monthly, semi-monthly, or biweekly. It is up to the ministry unit to decide on one of these options. The payroll frequency can be changed, but only for the first pay in the New Year. To change the frequency, ADP requires two weeks' notice prior to the first scheduled New Year pay date, and there is a service fee.

To save on ADP service fees, some ministry units have changed from a biweekly or semi-monthly payroll frequency to a monthly one. To cover the usual "first pay," the payroll administrator issues a manual cash advance and then reports the advance to ADP for the end-of-month pay. ADP deducts the advance from the net pay before deposit, and the advance amount remains in the ministry unit bank account.

For further details, call ADP Client Services (1-877-377-4784).

4.3.3 Payroll Processing Option

The ministry unit has three options for providing ADP with payroll-related information before each pay:

- ADP schedules a regular "input" call with the ADP administrator prior to each pay date.
- ADP receives a fax from the ADP administrator prior to each pay date.

- ADP runs the payroll “as is,” and no fax or input call is required unless there is a change; this option is often chosen in situations where there are few changes to the payroll.

The payroll processing option can be changed by giving ADP five days’ notice from the regularly scheduled input date.

For further details, call ADP Client Services (1-877-377-4784).

4.3.4 Statutory Deductions

ADP calculates and remits statutory deductions on behalf of the ministry unit, including income tax, Employment Insurance premiums, and Canada/Quebec Pension Plan contributions up to the annual maximum earnings.

Personal Tax Credits Return (TD1)

The **Personal Tax Credits Return (TD1)** form is used to determine the amount of tax to deduct from the employee’s employment income. ADP receives this information from the payroll administrator via the ADP payroll form, “Section 6 - Tax Information.”

If ADP receives direction to apply the “Basic” amount, it automatically updates the basic personal amount annually according to Canada/Quebec published rates.

If an employee wants a personal tax credit amount greater than the basic personal amount, they must complete a federal and provincial Personal Tax Credit Return (TD1) annually, and the payroll administrator must provide ADP with the “Total Claim Amount” annually, for the first pay of the New Year, via the ADP payroll form, “Section 6 - Tax Information.”

For a copy of the Personal Tax Credits Return form, search the Internet for “TD1.”

Employment Insurance Premium Rate Reduction

The Employment Insurance (EI) premium paid by the employer is equivalent to 1.4 times the amount of premium paid by the employee unless the ministry unit has obtained a premium rate reduction.

Ministry units employing members of the United Church benefits plans can apply for an EI premium rate reduction. However, most payroll administrators decide the potential saving is not worth the extra administrative time and effort (the potential saving is approximately \$100 per year per eligible staff member, of which 5/12 is returned to the staff member).

If you decide to apply, go to www.servicecanada.gc.ca and search “Application – EI Premium Reduction.”

If your ministry unit has employees who qualify for the reduced rate and employees who

do not, two Canada Revenue Agency taxation accounts will be required. If approved by Service Canada, a letter will be sent to you annually to inform you of the reduced premium rate for the next taxation year. This letter must be sent to ADP before the first pay in the New Year, or a pensionable and insurable earnings review (PEIR) report may be issued by CRA.

In situations where a member with a reduced EI premium retires and then returns to work, the payroll administrator must advise ADP to change employment insurance to the unreduced rate (note that a new CRA taxation account may be required).

Election to Stop Contributing to CPP

Employees 65–70 years old receiving a Canada Pension Plan or Quebec Pension Plan retirement pension must complete the CPT30 form if they no longer wish to make CPP contributions, and the payroll administrator must send the completed form to ADP.

For a copy of this form and for further information, search the Internet for “CPT30.”

Quebec: CSST

All ministry units with at least one employee, either full-time or part-time, must register with the Commission de la Santé et de la Sécurité du travail, or CSST (www.csst.qc.ca, 1-844-838-0808). Failure to do so could result in costly penalties. Based on information given by the ministry unit (i.e., the nature of the employee’s work), CSST will calculate and provide an annual premium and CSST code. Pass this information on to ADP, and they will remit to CSST on behalf of the ministry unit. If a file is provided to ADP by CSST with rates, these will be automatically uploaded. Hence the ministry unit may see a different rate than what was submitted.

4.3.5 Payroll Reports

ADP generates several reports each time the payroll is processed. These reports contain detailed information on the breakdown of the payroll amount being deducted from the ministry unit bank account, including

- statutory deductions remitted by ADP on behalf of the ministry unit
- United Church pension and benefit deductions remitted by ADP on behalf of the ministry unit
- pay statement (Statement of Earnings and Deductions)
- ADP service fees

In accordance with provincial employment standards guidelines, employers must provide employees with a **Statement of Earnings and Deductions** each pay. It is the payroll administrator’s responsibility to make sure this happens.

The ADP reports can be accessed through the Internet (Reports on Internet-ROI) or by mail. There is no cost for payroll reports obtained via the Internet, while those obtained by mail are subject to postage fees. To change how you receive payroll reports, call ADP

Client Services at 1-877-377-4784.

For a **highly recommended** tool to help you decipher ADP payroll reports, go to www.united-church.ca and search “**Understanding ADP Payroll Reports.**” This PDF can also be found at the bottom of www.united-church.ca/leadership/church-administration/pastoral-charge-payroll-service.

4.3.6 Record of Employment

The Record of Employment (ROE) is a record of insurable earnings and hours for employees who leave the ministry unit for any reason or experience an interruption in earnings (i.e., maternity, parental, or adoption leave). It is used by Service Canada to determine the individual’s eligibility for Employment Insurance benefits, the amount of the benefits, and how long the individual can receive the benefits. The ROE must be given to the employee within five calendar days of the interruption of earnings, even if the employee has no intention of filing a claim for Employment Insurance.

ADP automatically produces an ROE when an employee leaves a ministry unit. However, for a temporary interruption in earnings, ADP generates a ROE only upon the request of the payroll administrator. Depending on the timing of the regular pay date, the payroll administrator may need to request a non-scheduled payroll to meet the five-day Service Canada deadline.

ADP sends the ROE to the payroll administrator to verify the earnings and hours, to indicate the reason for issuing the ROE, and to get a signature. There are three copies for the payroll administrator to distribute:

- First copy (the original) goes to the employee as proof of insurable earnings for claiming EI benefits. If the employee plans to apply for EI benefits, they must mail this original or drop it off in person at a Service Canada Centre. The mailing address is provided on the Information and Confirmation page once the employee submits their online application for EI benefits.
- Second copy (blue) goes to Service Canada as indicated on the form.
- Third copy (white) is to be kept on file for six years.

Although ROEs can be submitted via “Record of Employment on the Web (ROE Web),” this is not possible when a payroll service provider is producing the ROE because the ROE needs to be signed and verified by the payroll administrator.

For more information, including an explanation of the “reasons for issuing the ROE,” search the Internet for Service Canada’s “How to Complete the Record of Employment Form.”

4.3.7 Year-End Tax Forms

On behalf of the ministry unit, ADP files year-end tax forms and summaries with the Canada Revenue Agency (CRA) and Revenu Québec (RQ). The general year-end process

is as follows:

- October and December: ADP produces and posts the T4/Relevé trial run on Reports on Internet (ROI) for review by the payroll administrator.
- Prior to production of the final tax forms: The General Council Office provides ADP with the Pension Adjustment (populates box 52 on the T4). The final T4 trial run produced in December will show this amount (disregard the amount showing in October's trial run, as it will not be correct).
- Early February: ADP produces the final tax forms.
- Mid-February: The payroll administrator receives a year-end package from ADP that includes the tax forms (T4/T4A/Relevé) to be sent to employees.
- End of February: ADP files the tax forms with Canada Revenue Agency/Revenu Québec on behalf of the ministry unit.

For full year-end details—including important dates, reminders, and confirmation of year-end fees—a communication is sent to payroll administrators annually in October.

Ministry Units in Quebec

Revenu Québec requires employers to file the Summary of Source Deductions and Employer Contributions even though this is also filed by ADP. A penalty is imposed by Revenu Québec if this is not done by the end of February.

For a copy of this form, search the Internet for “Summary of Source Deductions and Employer Contributions.”

4.4 ADP Service Fees/Fee Increases

ADP service fees depend on options such as frequency of pay, number of people paid, and the reporting option chosen by the ministry unit.

Annual ADP fee increases are made in accordance with the terms of The United Church of Canada's agreement with ADP. This agreement stipulates that, no more than once a year, ADP may revise its fees by an amount up to the percentage increase for all items of the Consumer Price Index as published by Statistics Canada.

To obtain a summary of the ADP fees, contact MinistryandEmployment@united-church.ca; 1-800-268-3781, ext. 3161.

4.5 ADP Payroll Forms

There are two ADP payroll forms:

- The **New/Change Employee Sheet** is used when the minister lives in the manse or the minister's salary has not yet moved to the new compensation model.

- The **Payroll Update Form** is used when the minister is paid according to the new compensation model. Once the minister transitions to the new model, this form is used for non-ministry personnel as well.

To obtain up-to-date versions of the ADP payroll forms, call ADP Client Services (1-877-377-4784), or send your request to MinistryandEmployment@united-church.ca; 1-800-268-3781, ext. 3161.

Both ADP payroll forms provide the following:

Basic payroll data (pages 1 and 2)

Complete this for new hires, change of salary, terminations, change of employee address, or to stop pay temporarily or permanently.

Benefits Addendum - for members of the United Church benefits plans

Complete this when the employee is a United Church benefits plan member.

Clergy Residence Deduction - information page

This information sheet explains government guidelines on the clergy residence deduction (CRD), to be shared with ministry personnel who wish to claim the CRD at source.

Maternity/Parental Leave Top-up Addendum

Complete this if an employee receives a maternity/parental salary top-up while on leave.

Quick Reference Sheet

This sheet provides directions on how to advise ADP of the following situations:

- New employee not eligible for benefits
- New employee eligible for benefits (no waiting period)
- New employee eligible for benefits (waiting period)
- Change from not eligible to eligible for benefits
- Supervised Ministry Education Placement
- Going on and returning from maternity/parental leave
- Going on leave without pay
- Summer closure
- Retiring/returning to work after retirement
- Leaving the ministry unit
- Death
- Termination

ADP fax cover page

Use this when faxing payroll information to ADP.

4.6 ADP Earnings and Deduction Codes (United Church Template)

In consultation with ADP, ministry unit payroll administrators, the General Council Office, and statutory guidelines, a template of earnings and deduction codes has been developed and is used by ADP for United Church accounts.

To receive a list of all template earnings and deduction codes, contact MinistryandEmployment@united-church.ca; 1-800-268-3781, ext. 3161.

4.7 Amalgamations and Closures

Call the Compensation Program Coordinator at the General Council Office, 1-800-268-3781, ext. 3118.

4.8 United Church Pension and Benefits Plans

The United Church's pension and benefits plans form a significant portion of the total compensation package for employees of the church in pastoral charges, presbyteries, the General Council and Conference offices, and some organizations affiliated with the United Church. Ministry personnel and lay employees participating in the plans are considered plan "members."

The plans are administered by the Benefits Centre (operated by McAteer Group) in accordance with the terms of the Pension Plan Constitution and the group benefits contracts.

Enrolment in the pension and benefits plans is mandatory and a condition of employment for all individuals under 71 years of age serving on average 14 or more hours per week, or less than 14 hours per week if, during each of the previous two years, the person

- worked at least 700 hours, or
- earned at least 25 percent of the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE)

4.8.1 Pensionable Earnings

United Church pension and benefits deductions are calculated based on the employee's pensionable earnings (PE), as follows:

- Ministers on the new compensation model:
PE = salary (plus the clergy residence deduction if processed at source through ADP)
- Ministers who live in a manse: PE = salary x 1.4
- Ministers who receive a housing allowance:
PE = salary (not including housing allowance) x 1.4
- Lay employee: PE = salary

Premiums are reviewed annually and are subject to change. Contact the Benefits Centre for current rates: 1-855-647-8222. Premiums are published in the December issue of *Connex* newsletter.

4.8.2 Pension Plan

The pension plan is a defined benefit plan based on the annual pensionable earnings of the employee over their career with the United Church. Employers and employees contribute to the pension fund. The pension plan's registration number is 0355230 for CRA purposes.

There are two communications that provide updates on the plan:

- *Connex* newsletter: www.united-church.ca/leadership/church-administration/group-benefits
- *The Annual Report of the Pension Plan of The United Church of Canada*: see the bottom of www.united-church.ca/leadership/church-administration/pension.

Pension Adjustment

The pension adjustment (PA) is an amount determined by the Canada Revenue Agency formula to offset the 18 percent earned income maximum for tax-sheltered retirement savings. The pension adjustment is nine times the annual pension credit (per year) less \$600 as an estimate of the value of that credit (the \$600 is prorated for a partial year of service). The pension adjustment is used by the Canada Revenue Agency to determine the member's RRSP contribution limits.

ADP is provided with the pension adjustment at year-end, to be applied to the member's T4 (box 52).

4.8.3 Core Benefits Plan

The core benefits plan premiums are paid by the ministry unit, with the exception of long-term disability premiums. Those premiums are paid by the employee to preserve the benefit's tax-free status (those receiving long-term disability benefits don't pay tax on that income).

The core benefits paid by the employer include the following:

- Core member life insurance: benefit paid to the member's beneficiary in the event of the member's death
- Core dependant life insurance: benefit paid to the member in the event of the member's dependant's death
- Core accidental death and dismemberment insurance: benefit paid to the member or member's beneficiary in the event of an accident that causes dismemberment or death to the member
- Core health and dental insurance: basic health and dental coverage for the member and eligible dependants

- Best Doctors: opportunity for second-opinion diagnoses and referrals
- Emergency travel assistance: coverage available to the member and eligible dependants for medical emergency for the first six weeks of absence from Canada while travelling
- Employee assistance program, provided by Shepell.fgi: offering immediate, confidential short-term counselling available 24 hours a day, 7 days a week

Restorative care plan: benefit paid to the ministry unit to support the member in the event of member illness (certification and adjudication approval required)

Employer indemnity: benefit paid to the pastoral charge to support the family of ministry personnel who die while actively working for the United Church while a member of the active plan

The core benefit paid by the member:

Long-term disability insurance: benefit paid to the member in the event of long-term illness to the member (certification and insurer approval required)

For detailed information on the core benefits plans, go to www.united-church.ca/leadership/church-administration/health-dental-and-life-benefits.

4.8.4 Optional Benefits Plan

To improve benefits coverage, an employee may choose to pay for optional coverage. Premiums for optional life coverage depend on the level of coverage, age, and whether the employee smokes. Optional health and dental premiums are flat amounts and depend on whether the member chooses single or family coverage. These benefits include

- optional life insurance
- optional spousal life insurance
- optional accidental death and dismemberment
- optional health and dental

For detailed information on the optional benefits plans, go to www.united-church.ca/leadership/church-administration/health-dental-and-life-benefits.

4.9 Setting Up Pension and Benefit Payroll Deductions

The ADP payroll form (“New/Change Employee Sheet” or “Payroll Update Form”), completed by the payroll administrator, gives ADP the information needed to pay the employee and set up United Church pension and benefits deductions.

4.9.1 Core Benefits Deductions

If the ADP payroll form received from the payroll administrator indicates that the

employee is eligible for pension and benefits, ADP will automatically start pension and core benefits deductions for ministry personnel new hires, and for lay employee new hires coded LA (where the waiting period has been waived). For lay employee new hires coded LE (where the waiting period applies), payroll administrators need to contact ADP to start pension and core benefit remittance deductions after the three-month waiting period using the ADP payroll form, “Benefits Addendum.”

The payroll administrator does not have to provide ADP with the deduction amounts or percentage rate changes to premiums; this is done through the General Council Office.

Within six weeks of the date the first payroll is processed, a new member can expect to receive an enrolment package from the Benefits Centre. For new members and members moving from one ministry unit to another, it may take up to two months until the benefit insurance carrier records are updated and benefits claims can be reimbursed. If benefits services are required during this period, the member should hold on to receipts and submit them after two months.

Ministry personnel are eligible for coverage on the first of the month coincident with or following the date of hire. For other members, eligibility begins on either the first day of the month following the hire date, or the first day of the fourth month following the hire date. (The date of eligibility may be adjusted to coincide with the date premium deductions were started by the payroll service.)

When members turn age 64 years and 6 months, premium and coverage cease for long-term disability, and the payroll administrator must advise ADP to stop long-term disability deductions for the following (64 years, seventh) month.

Taxable Benefit for Core Benefits

The employer-paid core benefits premiums for Life and Accidental Death & Dismemberment are a federal taxable benefit to the plan member, and a provincial taxable benefit for members who reside and work in Quebec.

Also in Quebec, since plan members are covered by an employer-sponsored medical plan, additional taxation is required. The calculation used to determine the taxable benefit is based on Revenu Québec guidelines. A monthly value is determined based on a reasonable estimate of the annual claims for each benefit group (Core Single, Core Family, Optional Single, and Optional Family); then, each December, a “true-up” is processed through ADP to reflect actual claims. For details on the Revenu Québec calculation see IN-253-V, *Taxable Benefits*. Refer to the section “Plan not backed by an insurance contract” in chapter 5.

To determine the taxable benefit amounts, go to www.united-church.ca/leadership/church-administration/budgeting-tools-treasurers and select “Budgeting Tools for Treasurers—Calculating Taxable Benefit for Group Insurance.” Using the ADP payroll form, “Benefits Addendum,” the payroll administrator calculates and provides the

amount to ADP when setting up a new employee on payroll. As well, when there is a change to salary, a change to single/family coverage, or when the member turns 65 and does not receive a United Church pension, the taxable benefit amount must be recalculated and sent to ADP.

4.9.2 Optional Benefits Deductions

For employees new to the United Church, optional benefits are effective when all enrolment forms have been satisfactorily completed and returned to the Benefits Centre, subject to evidence of insurability as required by the insurer. All forms must be completed within 60 days of being received. Once the member receives confirmation of the remittance amounts from the Benefits Centre, they provide the information to the payroll administrator, who can then set up payroll deductions using the ADP payroll form, “Benefits Addendum.”

For existing members moving from one ministry unit to another, the optional benefit deductions can be found on the employee’s pay statement from the last ministry unit (the pay statement descriptors will show as OPT H/D, LIFE MEM, LIFE SPO, or AD&D). Or, the member can contact the Benefits Centre at 1-855-647-8222 to obtain the amounts.

The payroll administrator should advise ADP of changes to deduction amounts using the “Benefits Addendum” form in the following situations:

- Member makes changes to their coverage and receives confirmation from the Benefits Centre of the new premium amount(s).
- Member with life and spouse insurance changes age bands. For example, a member who turned 45 this year will have to remit higher premiums for member and spouse life insurance coverage, effective January 1 of the following year.
- Member turns 65, and premium and coverage cease for member and spouse life insurance, as well as for accidental death and dismemberment.
- Spouse turns 65, and premium and coverage cease for spouse life insurance.

4.10 Pension and Benefits: Non-Standard Employment Situations

4.10.1 Concurrent Employment

When a member is employed by more than one ministry unit at the same time, pension and benefit deductions are based on pensionable earnings for each ministry unit. All hours are considered pensionable (pension and benefit deductions apply), even if the member works at one or both of the ministry units for less than 14 hours per week, but total hours combined are 14 or greater per week.

Deductions not based on pensionable earnings (optional member and spouse life

insurance, optional accidental death and dismemberment, and optional health and dental) are split evenly between ministry units.

4.10.2 Hiatus or Summer Closure

To ensure plan members receive uninterrupted benefits coverage over a hiatus or summer closure period, pension and benefit remittances missed over the summer months need to be processed. To do this, the following steps are required:

1. Notify ADP of the Summer Closure

Start of summer closure period: send ADP notification 1 week prior to the payroll date immediately preceding the summer closure using the ADP payroll form.

- a. Complete Section 3 – Status Change.
 - i. Check “Stop Pay Temporarily.”
 - ii. Check “Summer Closure.”
 - iii. Fill in “Last Day Paid.”
- b. Give ADP direction on the pension and benefits remittances to be made up (see 2., below).
- c. Tell ADP the number of payrolls that are to be cancelled.

Return from summer closure period: to resume the pre-summer closure salary, notify ADP Client Services one week prior to the payroll date using the ADP payroll form.

- a. Complete Section 2 – Salary.
 - i. Fill in “Effective/Start Date.”
 - ii. Fill in salary per pay.
- b. Give ADP direction on the pension and benefits remittances to be made up (see 2., below).

2. Make Up United Church Pension and Benefits Remittances

Direct ADP to make one-time adjustments to remittances prior to, or immediately following, the summer closure period (or both). To calculate the one-time adjustment amount(s) that need(s) to be passed on to ADP, use the amount that was deducted immediately before the closure as indicated on the ADP Payroll Register report; or calculate the amounts using “Budgeting Tools for Treasurers—Calculating Pension & Benefits Deductions (January 2016)” at www.united-church.ca/leadership/church-administration/budgeting-tools-treasurers.

4.11 Pension and Benefits: Employment Leaves

4.11.1 Maternity, Adoption, and Parental Leaves

Members can elect to continue pension and benefits for maternity, parental, or adoption

leaves for up to one year. The ministry unit must continue to pay the employer's share for pension and benefits coverage, and the member must continue to pay the member's share. Once the leave is processed through payroll (via the ADP payroll form, "Section 3 – Status Change"), the Benefits Centre becomes aware of the leave and will send a letter to the member with further information. The member can expect to receive this letter approximately six weeks after the payroll is processed by ADP.

For further information, the following resources are available:

- ADP payroll form: "Maternity/Parental Leave Top-up – Addendum"
- www.united-church.ca/leadership/church-administration/leaves-and-absences: "Pastoral Relations Maternity/Parental Leave Policy"
- Program Coordinator, Ministry Personnel Leadership: 1-800-268-3781, ext. 3147
- Service Canada website: www.esdc.gc.ca/en/ei/maternity_parental/index.page
- Quebec Parental Insurance Plan (QPIP): www.rqap.gouv.qc.ca/index_en.asp

4.11.2 Leave of Absence

Members can elect to continue pension and benefits during a leave approved by the ministry unit, and are responsible for remitting all contributions (both the employer's and the member's). Once the leave is processed through payroll (via the ADP payroll form, Section 3 – Status Change), the Benefits Centre becomes aware of the leave and will send a letter to the member with further information. The member can expect to receive this letter approximately six weeks after the payroll is processed by ADP.

4.12 Pension and Benefits: Short-Term Disability (Restorative Care Plan)

Members absent from work due to illness or injury (certified by medical record and approved by the adjudicator initially and ongoing) continue to receive their full salary through ADP for up to six months, and the ministry unit is reimbursed 85 percent of the member's salary.

Contact the General Council Office's Disability Analyst for further information: 1-800-268-3781, ext. 4127.

4.13 Pension and Benefits: Death of Employee

When an employee dies, the payroll administrator must notify ADP to stop their pay and provide termination details using the ADP payroll form, Section 3 – Status Change. Depending on the last day the employee was to be paid, the payroll administrator may need to give ADP the salary amount to be processed for the final pay.

If the employee was a ministry personnel plan member serving at a pastoral charge, contact the General Council Office's Disability Analyst, 1-800-268-3781, ext. 4127, who will explain the administration of claims for Employer Indemnity (a benefit paid to pastoral charges to support the family of ministry personnel who die while actively working for the United Church and not receiving a pension).

4.14 Pension and Benefits: Employment Ends with Ministry Unit

When a member leaves a ministry unit permanently, the payroll administrator must notify ADP to stop their pay, and provide termination details using the ADP payroll form, Section 3 – Status Change. Depending on the last day the member is to be paid, the payroll administrator may need to give ADP the salary amount to be processed for the final pay. Based on that amount, ADP will make automatic adjustments to pension and core benefits deductions.

Assessment of pension and long-term disability ends on the last day paid. All other benefits continue to the end of the month in which employment ends. If an unused vacation period continues past this time, the coverage will continue until the end of the month the vacation period ends. Once the leave is processed through payroll, the Benefits Centre becomes aware of the termination and will send a letter to the member with further information. They can expect to receive this letter approximately six weeks after the final payroll is processed by ADP.

In-lieu-of-notice: Pension and long-term disability ends with the statutory pay-in-lieu-of-notice period. All other benefits continue to the end of the month in which the pay-in-lieu-of-notice period ends.

At year-end, the ministry unit will receive a copy of the T4 that ADP files on behalf of the ministry unit with the Canada Revenue Agency to cover the employment period with the ministry unit. The T4 is to be sent to the employee.

4.15 Pension and Benefits: Minister in Search of a Call/ Appointment

Members can elect to continue pension and benefits during a presbytery/Conference-approved in search of a call/appointment period, and are responsible for remitting all contributions (both the employer's and the member's). Once the last pay is processed through payroll (via the ADP payroll form, Section 3 – Status Change, “stop pay permanently,” “leaving pastoral charge”), the Benefits Centre becomes aware of the status change and will send a letter to the member with further information. They can expect to receive this letter approximately six weeks following the payroll processed by ADP.

4.16 Compensation for Ministry Personnel

Ministry personnel serve ministry units by means of a settlement, call, or appointment, the terms of which are provided on form PR 450: Covenant for Call, Settlement, or Appointment. It is helpful to have a copy when completing the ADP payroll form.

4.16.1 Annual Cost-of-Living Increases

Minimum salaries increase annually by a percentage equal to the average percentage rise in the cost of living in Canada for the year ending December 31 one year prior to the effective date of the new salaries. Each May, the minimum salaries effective January of the following year are posted at www.united-church.ca/leadership/church-administration/compensation-model. For a hardcopy, contact MinistryandEmployment@united-church.ca or 1-800-268-3781, ext. 3161.

The payroll administrator is responsible for directing ADP to change the minister's salary based on annual (January 1) increases and years-of-service (increment category) increases.

In situations where the salary in the pastoral relationship agreement specifies a percentage or amount above the minimum, the applicable minimum plus the agreed-upon percentage or amount above the minimum is to be maintained with future annual cost-of-living and years-of-service increases.

Increases for ministers not actively at work (i.e., Long-Term Disability, Restorative Care Program, and Maternity/Parental Leave) are effective the first day the minister is back to work.

4.16.2 New Compensation Model

- Effective July 1, 2015, where a manse is not provided, new calls and new appointments must be administered according to the new compensation model for ministry personnel.
- With this new model, where a manse is not provided, ministers now receive a single comprehensive salary that incorporates what were formerly referred to as base salary and housing allowance. Ministers provided with a manse continue to receive a base salary plus use of the manse.
- If more than one minister is serving at a ministry unit, all ministry positions must move to the new model when there is a new call or appointment for one of the positions on or after July 1, 2015.
- For existing calls and appointment renewals, compensation for those must move to the new model no later than July 1, 2018.

If there is a change in status (i.e., the minister retires then returns as retired supply) or terms of the call/appointment (i.e., the hours are reduced or increased), then compensation must move to the new model when the change occurs.

4.16.3 Cost-of-Living Groups

With the new compensation model (manse is not provided), all local ministry units have been assigned to cost-of-living (COL) groups based on the median housing values for the city, town, or rural community in which they are located. The COL group of all ministry units can be found at www.united-church.ca/leadership/church-administration/compensation-model.

The housing value ranges are as follows:

COL 1: up to \$150,000	COL 4: \$375,001 to \$525,000
COL 2: \$150,001 to \$250,000	COL 5: \$525,001 to \$700,000
COL 3: \$250,001 to \$375,000	COL 6: over \$700,000

If the particular city/town/community is at the high end of the cost-of-living range, or the minister chooses to rent and the cost of rent in the location is exceptionally high, consideration should be given to providing compensation above the minimum.

To determine the median housing value, go to www.realtor.ca. Search the local ministry city or town (using no filters), scroll in so that only the listings of the city/town are showing, divide total listings (upper left side of screen) by two for the median number, and then go to that listing number for the median housing value.

4.17 Occupancy of Manse

A ministry unit providing a manse is responsible for the following:

- Processing the fair rental value of the manse through payroll using the ADP payroll form, Section 8 – Housing Allowance/Manse. The fair rental value must be supported by data, which can be obtained by using real estate or other professional services to assess this value.
- Processing the utilities paid by the ministry unit through payroll using the ADP payroll form, Section 8 – Housing Allowance/Manse. Although it may be agreed that the ministry personnel pays for utilities, heating costs in excess of \$500 are paid by the ministry unit.
- Complying with requirements concerning income tax and pension contributions: see below, 4.18.1: Manse/Housing Allowance (20% rule).
- Complying with Canada Revenue Agency guidelines on processing the clergy residence deduction at source through payroll: see below, 4.19: Clergy Residence Deduction.

Note: A minister provided with the use and occupancy of the manse, serving part-time, is entitled to full-time occupancy of the manse.

4.18 Housing Allowance

A ministry unit providing a cash housing allowance instead of a manse (having not yet moved the minister's salary to the new compensation model) is responsible for the following:

- Processing the fair rental value of accommodation comparable to what would have been provided as a manse in the area through payroll using the ADP payroll form, Section 8 – Housing Allowance/Manse. The fair rental value must be supported by data, which can be obtained by using real estate or other professional services to assess this value.
- Complying with requirements concerning income tax and pension contributions: see below, 4.12.1: Manse/Housing Allowance (20% rule).
- Complying with Canada Revenue Agency guidelines on processing the clergy residence deduction at source through payroll: see below, see below, 4.13: Clergy Residence Deduction

4.18.1 Manse/Housing Allowance (20% rule)

To ensure compliance with the *Income Tax Act* and regulations on maximum pension, the housing allowance or fair rental value of the manse (including utilities paid by the ministry unit) must be equal to or greater than 20 percent of the minister's salary. If it is not, an adjustment or top-up is required that must be recalculated when there is a change to the minister's salary.

For example:

	Annual Salary	Calculation for Annual Housing Amount	Housing Minimum Required (20% of salary)	Minimum "Paid" Housing
Minister in Manse	\$40,000	Fair rental value of manse (including utilities paid by ministry unit) is \$7,000.	Requirement for housing is \$8,000.	Annual top-up of \$1,000 must be paid to the minister.
Minister with Housing Allowance	\$40,000	Fair rental value of an accommodation comparable to the manse is \$7,000.	Requirement for housing is \$8,000.	Minimum housing of \$8,000 must be paid to the minister.

4.19 Clergy Residence Deduction

In the United Church, ministry personnel settled, called, or appointed to ministry units, and members of the Order of Ministry serving full-time administrative roles, are eligible to claim the clergy residence deduction (CRD). Congregational Designated Ministers are not eligible to claim the CRD.

Each year, ministry personnel should ask the ministry unit to complete the Clergy Residence Deduction form (T1223), “Part B – Conditions of employment (to be completed by the employer).” For a copy of the form, search the Internet for “T1223.”

If the minister wishes the ministry unit to reduce their taxable income by the amount of the CRD and thereby reduce the amount of income tax deducted at source (pay by pay), the minister must obtain a “letter of authority” every year issued by the Canada Revenue Agency (and, for ministers who work in Quebec, Revenu Québec). Otherwise, the minister can claim a refund of the qualifying taxes paid when filing their personal tax return the following year.

To obtain a letter of authority, ministers must apply annually each fall for the next calendar year

- federally, using CRA Form T1213: Request to Reduce Tax Deductions at Source
- and, for ministers who work in Quebec, using RQ Form TP-1016-V: Application for a Reduction in Source Deductions of Income Tax

Once the CRA (and RQ, if applicable) provides a letter of authority, the payroll administrator can direct ADP to process the authorized amount subject to Employment Insurance only using the applicable ADP payroll form. **Note: The CRA letter of authority should NOT be sent to ADP.**

Ministers living in a manse are not required to obtain government authorization to reduce their tax deductions with each pay for the housing benefit they receive. However, the payroll administrator must confirm that the minister plans to claim the clergy residence deduction when completing their personal tax return.

The resource “For Ministry Personnel: Instructions for Completing CRA T1213 and RQ TP-1016-V” is available at www.united-church.ca/leadership/church-administration/clergy-residence-deduction.

4.20 Weddings and Funerals

For events such as weddings and funerals, the Canada Revenue Agency suggests that all fees be paid directly to the ministry unit. The ministry unit is then responsible for paying the musicians, minister, custodians, and other staff as per the ministry unit’s policies. Income from weddings and funerals to staff who are on the regular

payroll should be processed through ADP as taxable income (ADP Earning Code 15—Adjustment).

4.21 Visiting Ministry Personnel

From time to time, ministry personnel may be invited to provide worship leadership and preaching, pastoral care and visitation, or other services to a local ministry unit when the incumbent ministry personnel is on vacation, study leave, or other short-term leave. Such services are intended to cover only one or two Sundays or weekends at a time. An ongoing need for these services must be reviewed by the presbytery or Conference to determine whether an appointment should be made.

A minimum daily rate is provided in the annual Minimum Salary and Allowances for Ministry Personnel available at www.united-church.ca/leadership/church-administration/human-resources (“Highlights,” page 3). This covers a full working day, or any portion thereof, and is not linked to any specific number of hours served. The rate is based on the new compensation model increment category F minimum salary (which includes housing). The parties may negotiate a higher daily amount but cannot negotiate a lower amount than the daily rate.

In addition, the ministry unit must reimburse the visiting ministry personnel for travel and incidental expenses (i.e., meal allowance and accommodations, as necessary).

The minimum daily rate is applicable to ministry personnel only. The General Council has no authority to establish rates of compensation for lay people engaged by a congregation.

The Canada Revenue Agency requires a T4A to be completed for annual aggregate amounts over \$500 paid to an individual. ADP will produce a T4A on request (the amount will show in box 48, Fees for Services).

4.22 Reimbursements

Ministry personnel are entitled to receive reimbursements for continuing education and learning, telephone, and travel.

4.22.1 Continuing Education and Learning Resources

It is expected that the Continuing Education and Learning Resources (CELR) amount will be applied by ministry personnel, in consultation with the ministry unit, to the cost of attending workshops or conferences, purchasing books, acquiring spiritual direction, and obtaining electronic and other resources relevant to providing ministry leadership.

The annual CELR amount is provided in the annual Minimum Salary and Allowances for

Ministry Personnel available at www.united-church.ca/leadership/church-administration/human-resources (“Highlights,” page 3). The amount must be spent in the year for which it is budgeted unless previous arrangements have been made between the ministry personnel and the ministry unit to roll over a portion to accommodate a specific continuing education goal.

For part-time service, the CELR amount is to be prorated. For example, an appointment of 10 hours per week would include a CELR amount of .25 (10 hours divided by 40 hours) of the annual published CELR amount.

A frequently asked question by ministers: If I purchase books or a tablet through my continuing education allowance, can I take them with me when I leave the church?

Yes, if the church has processed the amounts through ADP as a taxable allowance. If the amounts have been processed as an expense, the tablet and books are the property of the church.

4.22.2 Telephone, Cell Phone, Computer

Ministry personnel must be provided with the use of a phone, the basic cost of which is the responsibility of the ministry unit.

Based on Canada Revenue Agency (CRA) guidelines, it is recommended that income provided to an employee to cover telephone/cell phone/Internet service plan fees, or for the purchase of a telephone/cell phone/computer, be processed through payroll as a taxable allowance. Employees can then claim remittances paid for eligible employment expenses when completing their Personal Tax Return.

For further CRA information, search the Internet:

- T4044, *Employment Expenses*: Refer to chapter 3, “Employees earning a salary,” section on Supplies, and section on Other expenses: Computers, cell phones, and other equipment.
- IT-352R2, *Employee’s Expenses, Including Work Space in Home Expenses*: Refer to the section “Supplies.”
- T4130, *Employers’ Guide: Taxable Benefits and Allowances*: Refer to chapter 3, section on “Cellular phone and Internet services.”

4.22.3 Travel

Where the work of a ministry unit requires ministry personnel to use a car, the ministry unit must reimburse the ministry personnel for travel at a (minimum) rate approved annually by the General Council Executive.

The minimum rate per kilometre is provided in the annual Minimum Salary and Allowances for Ministry Personnel available at www.united-church.ca/leadership/church-administration/human-resources (“Highlights,” page 3).

Payments to ministry personnel to reimburse travel expenses are non-taxable if the following conditions are met:

- Payments do not include travel between home and the regular place of employment (considered personal travel).
- The driving is done in the course of carrying out the work of the ministry unit. This includes travel between home and the place the ministry personnel goes to perform ministry duties other than the minister's regular place of employment (if reasonable), and travel between church locations (i.e., a multi-point pastoral charge).
- Payments are "reasonable."
- Payments are based on actual distance driven.

The rate per kilometre includes all costs of vehicle operation, including gas, oil, repairs, and insurance, and is set in accordance with the Canada Revenue Agency determination of "reasonable." Paying any depreciation allowance in addition to the kilometric rate is considered "unreasonable" by CRA and is subject to penalty.

Ministry personnel are required to keep a travel log of all distances driven on church business and to submit this log at agreed-upon intervals, such as monthly or quarterly.

For further information regarding travel reimbursement, refer to the CRA's T4130, *Employers' Guide: Taxable Benefits and Allowances*, chapter 2, "Automobile and Motor Vehicle Benefits and Allowances." You may also wish to speak with your Conference Personnel Minister since practices may vary based on region.

To process payments:

- Confirm the current minimum rate per kilometer: see the annual Minimum Salary and Allowances for Ministry Personnel available at www.united-church.ca/leadership/church-administration/human-resources ("Highlights," page 3).
- Ask for the ministry personnel's travel log. Although the CRA does not require names to show in the travel log "description", specifics of the travel (including names) should be kept in the confidential diary or calendar of the minister should the minister be audited by CRA.
- Multiply the number of kilometres driven by the kilometric rate to obtain the dollar amount to be reimbursed.

Travel Log Example

Odometer Reading from Car Used				
Date	Start km	End km	Total km	Description
Oct. 29, year	68,172	68,174	2	Pastoral visit, travel to funeral home, etc

Travel Allowance while on Leave

Where the work of a ministry unit requires the ministry personnel to use a car, and where the ministry personnel is granted leave (e.g., short-term disability, sabbatical leave, maternity or parental leave), or is suspended with salary and benefits for more than one month, the ministry unit must calculate and pay a monthly income supplement of 40 percent of the ministry personnel's average monthly travel claim (based on the six months before the leave). This amount is processed through ADP as a taxable allowance using the ADP payroll form, "Section 7 – Ministry Personnel, Expenses & Allowances, Taxable Allowances," "Mileage/Travel (MILE TAX)."

4.22.4 Taxable Allowance or Expense?

Expense refers to reimbursement for costs incurred while carrying out employment-related responsibilities. The employee incurs the cost, provides proof of expense, and can be reimbursed by the ministry unit through ADP. An expense is *payable* (increases the net amount of pay received by the employee), *non-taxable* (amount employee receives is not subject to income tax, EI, or CPP), and *non-reportable* (amount employee receives will not appear as income on the T4/Relevé 1). Expenses do not have to be processed through ADP but can be, using the ADP Payroll Form, Section 7, "Ministry Personnel, Expenses & Allowances."

Taxable allowance is an amount paid to the employee through ADP that is designated for a particular purpose. However, the employee does not need to show proof of how the amount is spent. A taxable allowance is *payable*, *taxable* (amount employee receives is subject to income tax, EI, and CPP), and *reportable* (amount employee receives will appear as income on the T4/Relevé 1). Taxable Allowances must be processed through ADP using the ADP Payroll Form, Section 7, "Ministry Personnel, Expenses & Allowances."

4.22.5 Claiming Other Employment Expenses (T2200)

All taxpayers are eligible to claim certain employment expenses that are not reimbursed by their employer. Depending on individual circumstance, geographic breadth of the ministry unit, and other factors, ministry personnel may be able to make a claim. Determining any claim should be done by the individual or their adviser using the applicable guide (T4044) and claim form (T777).

Payroll administrators are required to complete the required T2200 form confirming eligibility for this type of expense but should not speculate or get involved in determining the amount claimed. For questions 7–13, the answers are generally "no."

4.22.6 Moving Costs

The cost of moving ministry personnel to a ministry unit they have been called or appointed to is the responsibility of the ministry unit. Moving costs include related expenditures such as mileage, accommodation, and meals for the ministry personnel and their immediate family.

Very limited assistance with moving expenses is available once every three years to ministry units that receive Mission Support Grants or demonstrate a need for such assistance. Financial assistance is provided by the presbytery of the ministry unit in consultation with the appropriate Conference staff person and General Council working unit.

Any pastoral relationship initiated by settlement or call is normally expected to last at least three years. When a change in pastoral relationship, requested by the ministry personnel, is approved by the presbytery before three years' time, the moving expenses to the ministry unit must be reimbursed by the ministry personnel on a prorated basis.

4.22.7 Settlement Costs for Candidates for the Order of Ministry

Moving costs for candidates for the Order of Ministry, and their immediate family, who are transferred from the college where they graduated to the ministry unit where they are settled are the combined responsibility of the ministry unit and the General Council working unit. The current amount to be contributed by the ministry unit is \$1,500, payable to the General Council Office through the Conference office. This contribution is part of the settlement pool.

For more information, see *The Manual*, section H.5.4 Moving Expenses, or contact the Program Coordinator for Ministry Personnel Programs and Resources at the General Council Office: 1-800-268-3781, ext. 3142.

4.23 Ministry Personnel: Vacation and Leaves

Vacation is part of the terms of settlement, call, and appointment of ministry personnel.

It is the responsibility of the ministry unit, in consultation with the ministry personnel, to provide at least one month of vacation in each pastoral year (July 1–June 30). A “month” may be a single calendar month including five Sundays, or 23 working days.

Where a change in pastoral relations does not follow the pastoral year, both ministry units involved must share the cost of the vacation on a prorated basis.

The following is an example of sharing the cost on a prorated basis:

Date Call Commences	Previous Charge	Successor Charge
1. July 1 to August 31	none	all
2. March 1	8/12	4/12
3. October 1	3/12	9/12

4.23.1 Study Leave

Ministry personnel in presbytery accountable ministries are entitled to three weeks of study leave per year. This study time is to be arranged in consultation with the Ministry and Personnel Committee of the ministry unit.

4.23.2 Sabbatical

The Sabbatical Policy allows eligible ministry personnel a sabbatical of at least three consecutive months unencumbered by their customary responsibilities, while still receiving their usual remuneration and benefits.

The Sabbatical Policy applies to all full- and part-time ministry personnel in pastoral relationships who have completed five or more years of service in the ministry unit that will be party to the sabbatical.

Detailed information about the Sabbatical Policy can be found in *Pastoral Relations: Engaging and Supporting*, available at www.united-church.ca/handbooks.

4.24 Lay Employees: Employment Guidelines

A valuable resource on employment for lay employees can be found in *Employment Guidelines for Lay Employees* (www.united-church.ca/handbooks, under Staff and Volunteers). Topics include: employment relationships, recruitment, working hours, probationary period, termination, statutory holidays and vacation, sick leave, compassionate leave, and so on.

4.24.1 Employee vs. Self-Employed

Usually, most staff employed by a ministry unit (i.e., organists, secretaries, administrators, and custodians) are treated under the Income Tax Act like employees in any other venture, with applicable income tax deductions, Canada Pension Plan contributions, and Employment Insurance premiums.

Where an individual is self-employed, an invoice for work performed would be provided to the ministry unit. The payment of the invoice would be treated as an expense (not processed through payroll). The Canada Revenue Agency (CRA) requires the completion of a T4A for annual aggregate amounts over \$500 paid to a supplier/vendor (fees should exclude GST/HST). ADP will produce a T4A on request (the amount will show in box 48, Fees for Services).

Before processing an invoice payment for work performed by a self-employed individual, the ministry unit should be satisfied that the work arrangement meets CRA guidelines. If audited, and deemed by CRA that an employment relationship exists, the ministry unit is required to pay both the employer and the employee share of CPP contributions and EI premiums owing, plus penalties and interest.

CRA provides the indicators listed below to determine whether a worker is an employee or is self-employed (for more information, see www.cra-arc.gc.ca/E/pub/tg/rc4110):

Indicators showing that the worker is an employee:

- The relationship is one of subordination. The payer will often direct, scrutinize, and effectively control many elements of how and when the work is carried out.
- The payer controls the worker with respect to both the results of the work and the method used to do the work.
- The payer chooses and controls the method and amount of pay. Salary negotiations may still take place in an employer-employee relationship.
- The worker requires permission to work for other payers while working for this payer.
- Where the schedule is irregular, priority on the worker's time is an indication of control over the worker.
- The payer decides what jobs the worker will do.
- The worker receives training or direction from the payer on how to do the work. The overall work environment between the worker and the payer is one of subordination.
- The payer chooses to listen to the worker's suggestions but has the final word.

Indicators showing that the worker is a self-employed individual:

- A self-employed individual usually works independently.
- The worker does not have anyone overseeing his or her activities.
- The worker is usually free to work when and for whom he or she chooses and may provide his or her services to different payers at the same time.
- The worker can accept or refuse work from the payer.
- The working relationship between the payer and the worker does not present a degree of continuity, loyalty, security, subordination, or integration, all of which are generally associated with an employer-employee relationship.

Canada Revenue Agency, *Employee or Self-employed?* RC4110(E) Rev. 16, p. 7. Accessed December 2016 from www.cra-arc.gc.ca/E/pub/tg/rc4110.

5. Funding God’s Mission: Generating Income

5.1 It Starts with Stewardship

God’s mission for The United Church of Canada is articulated in the call section of A New Creed:

We are called to be the Church:
to celebrate God’s presence,
to live with respect in Creation,
to love and serve others,
to seek justice and resist evil,
to proclaim Jesus, crucified, and risen,
our judge and our hope.

It is the generosity of those in the faith community that enables God’s mission locally and as a denomination through Mission & Service. Individuals participate by giving from the gifts that God has entrusted to them (traditionally described as time, talent, and treasure) to God’s service.

Living out our faith is called *stewardship*. There are many definitions of stewardship. Christian stewardship includes all aspects of our lives. It is about our personal, work, and family life. One definition has long captured the imagination of those in the United Church:

Stewardship is everything we think, say, and do after we say “I believe.”

The leadership of the congregation—lay people and ministry personnel—are entrusted with building an understanding of this way of life through worship and learning, along with good management of the generous donations received to carry out God’s mission by the local community of faith and the denomination through Mission & Service.

Donations to fund the mission of the community come from several sources. The method that assists the community in living its faith is the annual program of asking and inviting everyone to make a meaningful and intentional gift from their financial resources on a regular basis. Congregational giving should be the major source of revenue for most pastoral charges.

(Dan Hotchkiss’s finance benchmarks for healthy congregations say that 80 percent of the budget comes from the generosity of donors in the community of faith. “Snapshot of Congregational Finance,” danhotchkiss.com/blog/wp-content/uploads/2013/02/Snapshot-of-Congregational-Finance.2.pdf; accessed January 2017.)

The Philanthropy Unit of the United Church prepares an annual *Called to Be the Church* congregational giving program, written by members of the United Church, that is mailed to every congregation and is also available online at www.stewardshiptoolkit.ca. It provides all the resources required to carry out a giving program based on leading practices in giving and stewardship.

It is recommended that each congregation implement the *Called to Be the Church* giving program annually.

5.2 Inspire, Ask, Thank

The congregational giving program is built around the three vital leadership tasks that will build generosity within the community to support the mission of the church as well as help to grow generosity into a regular spiritual practice.

These three tasks are to Inspire, Ask, and Thank.

5.2.1 Inspire!

Inspire generosity. Inspire giving. Inspire gratitude. Inspire ways of living our faith.

Our generosity is our response to God's vast generosity in our own lives. Our generosity is a way to contribute to God's mission in our world. It is how we make a positive difference as individuals and families, in our own community through the mission of our congregation, and across our country and around the globe through the Mission & Service of The United Church of Canada. We share the story of the impact of generosity and how God's mission is furthered as a result.

We consider:

- What is God's mission for me in my daily life?
- What is our mission here in our community?
- How do we model compassion, provide community, and offer hope?
- How do we serve God's mission in the wider world?

Helping to Inspire

We inspire by telling stories, sharing our own "Why I give" story, and showing images of faith in action. Resources that inspire have an emotional impact. We inspire through writing, speaking, worshipping, and learning.

The annual *Called to Be the Church* program contains

- **"Why I give":** Ways to encourage leaders and others to share stories of generosity in their lives or give a testimonial about the impact of the community's ministry. There are also examples to inspire you.

If you were asked why you give to your congregation's ministry and the Mission & Service of our church, what would you talk about?

- **Narrative budget:** Ways to inspire others by telling the story of your ministry by building a narrative budget that shares what their generosity accomplishes—what the money does, not just where the money goes.
The program contains step-by-step instructions for telling the story of God's mission at work in your community through a narrative budget.
- **Worship and learning:** Everything for Sundays, including learning resources for Sunday school, whether your giving program is one, three, or five Sundays. Pick and choose from prelude-to-postlude worship services, including sermons to use for inspiration, to preach, or to adapt.
See www.stewardshiptoolkit.ca for additional learning programs for youth, UCW groups, adults, and children.
- **Communicating:** Ways to stay in touch with people throughout each week of the program, with suggestions for verbal and written announcements, bulletin covers and inserts, digital slides and social media posts, and more.

5.2.2 Ask!

Asking is an invitation to join with others as we respond to the call to be the church. Inviting every person annually is the ultimate goal. We invite all people of our faith community to contribute to God's mission here in our congregation, in our community, and through the Mission & Service of The United Church of Canada.

It is most effective when we invite in a clear, direct, and personal way. We encourage a conversation. We invite people to prayerfully consider how they will respond to God's generosity in their lives.

Ideally, every person feels they have been invited

- to join us and others in God's mission
- to participate
- to make an appropriate and meaningful gift of treasure as well as time and talent

Helping to Ask

An individual or group face-to-face and peer-to-peer invitation to participate is the most effective way to encourage generosity. So our program focuses on giving you everything you need to have that kind of conversation.

However, we know this might not be possible immediately, so we also share how to prepare an inviting Leadership Letter that can be sent to every person in the congregation along with tools to help them make an informed and intentional decision. All of these resources can be adapted as necessary.

5.2.3 Thank!

A culture of generosity is built on a foundation of gratitude. We thank God for the blessings in our lives. God is generous again, again, and again. We can also find ways to say thank you again, again, and again—and in many different ways. We cannot thank enough.

Helping to Thank

The giving program emphasizes how to ensure our gratitude and thanks are

- timely: closely connected to when we receive a gift
- sincere: communicating what a difference a person's gift will make
- personal: face to face or in a handwritten note

The treasurer has a role in promoting and supporting the annual implementation of the congregational giving program with other leadership, along with the practical tasks of managing the donations once they are received.

5.3 Funds for Your Congregational Work

5.3.1 Weekly Offering

Most pastoral charges follow the recommendation of General Council to have weekly envelopes for their members and adherents to use in making their weekly offering.

Three basic tasks must be done upon receiving the offering:

1. Count and check loose and envelope offerings. This should be done at the church after the Sunday services.
2. Deposit the proceeds in the bank, preferably the same day.
3. Record the envelope offerings so the contributors receive proper credit.

The procedures outlined below are considered best practices and are recommended. However, not every congregation is able to fully comply or chooses not to for various reasons. The important thing is to strive for the best controls you can.

Procedures

Ensure that written procedures are reviewed regularly and revised as necessary. We used to say to review them annually, but in practice that may be overkill. Board members should be aware when procedures were last reviewed. Members who donate generously to a congregation should have the satisfaction of knowing that their gifts are being safely managed and accounted for. The system in place must be worthy of trust.

Best Practice

Each month the committee of stewards appoints a leader and a co-leader from their number.

A sufficient number of counters needs to be appointed either from the committee of stewards or the pastoral charge.

Ideally, **at least two people** who are not related should count and check the offering. This should be done at the church, not at another location, to ensure the accuracy of the count and protect those who do the counting. The offering should be kept in the custody of the counters at all times until it can be deposited. We recommend depositing the funds the same day through a night deposit. See section 6.2 for more on controls.

Forms

The following forms have been found to be effective:

Weekly Offering Forms

1. **Count sheet:** A form suitable for listing the amounts on each envelope under the heading of each fund: General, Mission & Service, and so on.
2. **Sundry count sheet:** A form for recording offerings that are received in other than numbered envelopes.
3. **Leader's summary sheet:** A form for recording the count of each team of counters and the total count.
4. **Cash summary sheet:** A form for summarizing cash by denomination and listing the cheques.
5. **Bank deposit slip:** A form usually provided by the bank that summarizes the deposit.

5.3.2 Counting the Offering

1. Count the offering at the church. It should not be taken offsite until it is taken to the bank.
2. Separate the loose offering, the regular numbered envelopes, and other envelopes. Set aside the loose offering and the miscellaneous envelopes to be counted by the leader and co-leader.
3. Sort the numbered envelopes into groups of 1–100, 101–200, and so on, and then further sort the groups into numerical sequence. If a second envelope is used with the same number, such as for a building fund, place it behind the regular envelope.
4. Each team of two counters who are at arm's length proceeds as follows:
 - a. One counter opens envelopes and checks the amount of money against the amount marked on the envelope. It is important to be accurate. If the amount is not legible or there is a difference, write the correct amount on the envelope and circle it.

If there is no amount on the envelope or if there is difficulty in properly allocating the amount, the following procedure is recommended:

- i. Refer to a list of envelope numbers showing the amount pledged to each fund. Divide the amount in proportion to the pledge, and note the amount on the envelope under the correct fund.
 - ii. If there is no pledge, most congregations have a policy of allocating the entire gift to the general fund. If there is a different policy, divide the amount between the funds on the percentage basis established by the official board. If in doubt, seek clarification from the donor.
- b. At the same time, the other counter records the amount on the count sheet under the funds indicated on the envelope.
 - c. When all envelopes are opened, one counter counts the cash and records the amounts on the cash summary, listing all denominations, coins, and cheques. All cheques should be inspected to ensure the numbers and figures match, the church is the payee, and the cheque is not post- or stale-dated. The counter also adds up the cash summary.
 - d. The other counter adds up the count sheet, summarizes the amount allocated to each fund, and arrives at a total.
 - e. The totals of the cash summary and the count sheet should balance. If they do not, the postings to the count are checked back to the envelopes and the cash is recounted. Each counter initials the completed forms and passes them to the leader. After the leader or co-leader verifies that the cash is in balance with the cash summary, the counters have completed their tasks.
- It's a good idea to place the bills and coins of each denomination together, bills facing upward to assist in checking, and to staple the count sheet and cash summary together.
5. The leader and co-leader count the loose offering and record it on the leader's summary sheet. The bills and coins of each denomination are placed together, bills facing upward.
 6. The leader or co-leader records miscellaneous envelopes on multiple copies of the sundry count sheet. Envelopes specifically identified for church school or another group should not be opened but instead directed to the treasurer of the respective group. Adequate detail on the miscellaneous offerings should be maintained so the treasurer and envelope steward can take the required action, such as issuing regular envelopes and receipts.
 7. After the leader and co-leader have checked the cash and the cash summary sheet of each team of counters, the cash is gathered together and a combined cash summary sheet is prepared.

Each bill is placed facing upward and the coins are rolled or placed in an envelope stamped with the deposit stamp. The combined cash summary sheet covers the total deposit and at this point is not identified with a fund.

- The leader then completes a separate bank deposit slip, in duplicate, for each fund (e.g., local, Mission & Service) and indicates in the appropriate space the amount to be deposited to the particular fund.
8. The leader prepares multiple copies (one for each fund and one for the envelope steward) of the leader's summary sheet. Because each fund is recapped on the count sheet, a copy provided to the treasurer of each fund serves as a report of the amount received on this occasion.
 9. The count sheets, one copy of the sundry count sheet, and the envelopes (in numerical sequence) are routed to the envelope steward. Copies of the sundry count sheet are also provided to treasurers of the various funds.
 10. The treasurer describes annually to the official board or council how the congregation's cash is handled, what safeguards are in place, and what changes should be made, if any. The treasurer immediately reports any irregularities. This practice is reassuring to members of the congregation and the congregation's insurance company in the event of theft or embezzlement.

Rotating Counters

Rotate counters periodically, and rotate the people who make up the teams. Rotation spreads out the workload and further decreases the low but unfortunately real risk of fraud.

The treasurer should not count or collect offerings, since he or she is involved in recording the deposit in the church's books.

5.3.3 Depositing the Proceeds

1. The leader and co-leader place the money and duplicate deposit slips in a suitable deposit bag and together place the bag in a bank depository or safe. If no depository or safe is available, other arrangements must be made. It is advisable to bond the custodians of the funds and to provide adequate insurance.
2. The duplicates of the deposit slips, after receipt and return by the bank, are given to the treasurers of the respective funds.
3. The deposit should be made at the bank as soon as possible. Internal control decreases and the risk of something going wrong increases when the time between collection, counting, and depositing the funds increases.

5.3.4 Recording the Envelope Offering

The envelope steward records the envelope offering by number (contributor) in a suitable record book or statement form.

5.4 Pre-Authorized Remittance

What Is PAR?

Pre-Authorized Remittance, or PAR, is a “direct debit” program administered by the General Council Office of The United Church of Canada. It allows people to support their church through an automatic monthly withdrawal from their bank account or credit card.

People can designate their gift to local church expenses, Mission & Service, and other special funds, just as they would on an offering envelope. Small cards are available to put on the offering plate in place of envelopes. Once a month, all PAR givings are debited from givers' accounts/credit cards and then the total, less a service fee, is electronically transferred to their local church accounts.

Benefits of PAR

PAR began as a convenient way for churches to ensure a regular giving program and to help regulate their income. These days, virtually any regular expense can be paid for in this way, and credit cards are increasingly used too.

If many members are away for the summer or winter, PAR helps them keep their commitment without having to “catch up” on their givings. PAR also helps smooth out seasonal income fluctuations and reduces the treasurer's cashflow worries!

Even though numbers fluctuate from time to time and from congregation to congregation, PAR givers have consistently given more on average than non-PAR donors. This is true for local giving and for designated support to Mission & Service.

When PAR Works Well

Some congregations have been using PAR for almost 30 years. Very few givers who decide to join PAR decide to leave it. The program usually grows in local congregations once word starts to spread.

PAR works well when at least 10 percent of financially supporting households are on it. This enables a regularity and stability to giving patterns so churches can pay bills in a timely manner. However, to get started and maintain that number of households, a dedicated congregation member must be willing to promote PAR. Without this local energy, the program tends to stagnate.

What Is Needed to Start?

The congregation needs to send completed authorization forms and voided cheques to the General Council Office, attn: PAR. A covering letter also needs to be sent, giving the name of the congregation, naming a PAR contact person in the church, and indicating the preferred start month of the program.

A void church cheque must be sent so the system can forward the collected monies to the church's bank account. If a congregation wishes, up to three different church bank account numbers (General Account, Mission and Service Account, Building Account, and so on) can be accommodated. The totals of the corresponding amounts are then deposited directly to the various accounts each month. If only one bank account is used, the funds, no matter how designated, are deposited to that account.

No minimum number of givers is required for a congregation to initiate the program. However, since one of the basic precepts of PAR is to ensure regular monthly givings to help pay church expenses, most congregations find that the more people on the program, the more useful it is.

How Much Does PAR Cost the Congregation?

The cost of the program to the congregation is 50¢ per person, per month (capped at a \$45 flat fee if 90 or more people are on PAR), and there are no set-up fees. Individual donors are charged their normal chequing/debit fees by their bank or credit union.

There are additional charges to the congregation when donors use credit cards for PAR rather than bank accounts. These rates are the "merchant fee" charged by the credit card companies, and they are renegotiated periodically. Typically the charges are between 2.3 and 4 percent.

Some congregations choose not to promote the credit card option due to these incremental costs. In others, the opportunity to earn credit card "points" on a charitable gift is seen as a plus.

When Are the Transactions Processed?

Debits are drawn on contributors' accounts on the 20th of each month (or the following business day if the 20th falls on the weekend), and congregational accounts are credited on the same day for the total amount, less service charges. This amount is recorded on the congregation's bank statement as a credit memo. The monthly statement (see next paragraph) and the congregation's bank statement should be checked to ensure the amount credited equals the amount on the printout.

How Are Congregations Kept Up to Date?

A monthly statement is mailed to the church showing the breakdown of individual contributors for recordkeeping/income tax receipt purposes. The statement is normally sent to the envelope steward and should be shared with the treasurer. The statement also shows the monthly charge and any returned item (NSF) corrections from the previous month. An amount equal to 50¢ per person using PAR in your congregation is deducted from the amount credited to the congregational bank account. The fee deducted from the amount credited to the congregational bank account appears on the statement as the monthly invoice for the PAR program and needs to be put through the church books as such.

How Are NSF Cheques Dealt With?

The congregation is responsible for reimbursing the General Council Office in the event that a contributor's debit is not honoured by her or his bank (e.g., NSF, stop payment). In the month following a returned item, a notation is made indicating that an amount equal to the returned item has been deducted from the amount credited to the congregational bank account. As soon as the information on returned items is received by the GCO, letters are sent to the appropriate pastoral charge letting them know what has happened. This usually gives the contact person in the pastoral charge a chance to rectify the situation before the next month's deductions are made.

Why Is a Contact Person Necessary?

The name of one contact person (with a phone number for use during business hours for problems needing immediate response) is necessary. All additions, changes, and deletions go through the contact person. Similarly, the GCO will direct any questions to the contact person rather than to individual contributors. This person also receives the monthly statements. The contact person may be the church secretary, treasurer, or envelope steward.

The contact person should then let those people who have decided to use PAR know in which month the system will be implemented. He or she should confirm with the GCO when PAR will begin for the congregation.

How Does the Giver Change the Amount of the Gift or Change Accounts?

Unless otherwise noted, changes, additions, and deletions are made within the month these are received by the General Council Office. For a change to be made in a particular month, it must be received by the 10th of the month (the earlier in the month the better). For change requests, use the reference numbers from the statement.

Forms have been developed on which to record your congregation's additions, changes, deletions, and other information for the system. There are four different sheets to use for recording additions, changes, and deletions. (An initial set of sheets is sent to you when requested, and these can be copied as needed.) Additions can be made by mail or fax; changes or deletions can be made by mail, e-mail, fax, or phone (followed by written confirmation). The monthly reports from the PAR Program Administrator (less the monthly charge/NSF information) can also be sent to you via e-mail.

The General Council Office supplies all the materials needed for PAR: PAR brochures (with application forms included), cards for the offering plate, posters to advertise the program, bulletin inserts, and the PAR change sheet. These are all available to the congregation without charge.

5.5 (Legacy) Planned Giving

Legacy or planned giving is a way for members and adherents to invest in the future of The United Church, its ministries and programs, and their congregation. Those who have a lifetime of devotion to your congregation should be given the opportunity to reflect that commitment through a bequest (or other form of estate gift) or through an immediate donation. Our team can work with you to develop a giving program for your congregation tailored to your needs. We can also work with individuals who wish to continue their support of the church after their death and thereby continue to make a difference.

Planned gifts are generally donated from accumulated resources or assets, rather than from current income, either by an estate or outright immediate gift.

The donor can designate a planned gift to any aspect of The United Church of Canada's work—for example, the local congregation, Mission & Service, The United Church of Canada Foundation, *The United Church Observer*, an outreach ministry, a church camp, or a theological college. The opportunities are abundant. Such gifts can be exciting and generate deep and lasting satisfaction for the donor.

- **Wills and bequests:** The most common legacy gifts to the church are bequests. Staff can help you develop the language needed in your will to ensure bequests go exactly where intended. The tax benefit of a bequest gift may be used against your final income tax return, with the excess applying to the previous year's income.
- **Gifts of listed securities:** Gifts of listed securities (stocks, mutual funds, etc.) can be made at a relatively low cost, since any capital gain arising on a transfer of publicly listed securities to the church is tax-free. This type of gift can be made through an estate or during the donor's life.

Church staff can also arrange other types of giving vehicles that allow you to make a gift in the future but receive the tax benefits now:

- **Charitable gift annuities:** A gift annuity returns a competitive rate of income to the donor, most or all of which is tax-free, and a residue that goes to the church work of the donor's choice (e.g., congregation, Mission & Service, etc.).
- **Gifts of life insurance:** Donors can donate an existing life insurance policy to the church or purchase a new policy through their insurance broker. Talk to staff to determine what options are best.
- **Charitable Remainder Trusts:** Donors can create a Charitable Remainder Trust that will pay them an annual taxable income. A tax receipt is issued for a significant portion of the trust principal. The complete trust principal flows to the church work of choice upon death. CRTs must be arranged with an outside institution.
- **Gifts of residual interest:** Donors can make a gift of real property to the church, such as real estate, antiquities, or works of art. Donors can continue to use the property during their lifetime or for some other prearranged period. A tax receipt is issued for a portion of the value of the property given.

We are ready to help you or individuals in your congregation develop the best type of program or make the best possible gift to support the church.

5.6 Restricted Funds

If a gift is accepted that can be used only for a specified purpose, that gift must be accounted for separately from gifts given to the organization for its general purposes, such as money dropped on the plate on Sunday morning. It is not necessary to set up a separate bank account. If restricted funds are used for purposes other than specified, the donor (or an heir of a deceased donor) may be entitled by law to ask for the return of the gift, even years later. An example of a restricted fund is a gift of \$15,000 that is to be used toward the purchase of an organ. Documentation for this restriction must be maintained in the church's records.

Another example is a gift of \$100,000 with instructions that the money is to be invested and only the income is to be used for purchasing music for the music program. In this case the amount of \$100,000 is to be invested permanently as an endowment. Only the income from the gift can be used for the specific purpose stated, the purchase of music. These two types of assets should be reported separately.

Restrictions to gifts can be changed only with the written consent of the donor.

For more information, call 416-231-5931 or 1-800-268-3781, ext. 2021.

5.7 Memorial Funds

Memorial funds are often established by churches and other charities as funds to which donations can be made in memory of a person who has passed away. Such funds may also be used for "living tributes" to honour a special event such as an anniversary or birthday where the desire of the individual(s) is to provide assistance to the church rather than receive personal gifts.

5.7.1 Fundamental Principles

There are different, acceptable ways to handle memorial gifts. However, some fundamental principles must be followed:

- The use(s) to which such gifts would be applied should be defined by the church board/council. This includes a specific decision on whether there will be a single application for such gifts (for example, Mission & Service) or whether a separate fund will be established with specific guidelines on how such gifts might be used. It is advisable to document the decisions made in a policy on memorial gifts.
- It must be recognized that memorial gifts received for a specified use are considered designated gifts. Such gifts must be treated as a trust and cannot be used for any

purpose other than that designated by the donor. The governing board members become trustees of such funds under the law. They are entrusted to ensure the donations are applied to the specific purpose, but this does not entitle them to exclusive control over the funds.

- While donors may designate gifts to specific funds or projects, they may not direct gifts beyond that—those decisions must remain with the governing board and officers of the church or charity to ensure that these gifts are applied only to charitable purposes.

5.7.2 Planning and Administration

Use of memorial funds should be tracked precisely. It is unlikely that an accounting by the donors will ever be required, but it is good practice to handle funds as though an accounting may be requested at any time.

The church board/council should set a policy determining the breadth of application of memorial funds and establish criteria to be followed in related decisions. In some cases there is enough flexibility to allow for general operating expenditures to be funded by monies in the memorial fund; however, it is best that a specific expenditure or project be identified. Transfers only to deal with deficits in the budget should be avoided. The time invested in establishing criteria will significantly reduce the time spent on discussions and decisions related to specific memorial gift issues.

5.8 Benevolent Fund

5.8.1 Disbursing Benevolent Support

Some churches have a benevolent fund, which is used to support members and adherents of the congregation and the broader community in times of need. In most cases, individual assistance is limited to providing for food or prescription medication purchases. Occasionally the congregation wants to provide more significant help.

It is important to make such a fund available to people in the broader community as well as to members of the church. If the fund is limited to members of the church, Canada Revenue Agency could perceive that the assistance is private benevolence rather than part of the church's mission or program, which can put the charitable status of the church at risk.

5.8.2 Guidelines for Benevolent Fund Policy

In general, the funds are raised by accepting contributions. Develop a policy for using them so decision making for all uses is as straightforward as possible. Here are some guidelines to help with this policy:

1. Funds must be available to the larger community (not just church members).
2. Contributions should be made to the fund, never to assist specific individuals or

- families. Such general contributions are then receiptable donations.
3. Create disbursement guidelines so the minister can disburse funds in a confidential and timely manner.
 4. The disbursement guidelines should include some type of needs assessment for each request.
 5. Receipts and disbursements must be reported in the church annual report and on the T3010 Registered Charity Information Return. Because of privacy legislation, such reports should preferably not list the names of those who have received cash assistance.
 6. Establish limits on use of the funds, both on the amounts given and on the frequency of assistance.
 7. Assistance should generally be for short-term help, not ongoing assistance.
 8. Requests for funding may be known only by the minister, or by the church board in unusual circumstances.
 9. The minister should maintain accurate records, including names of recipients and amounts given. Hold this information in confidential files.

5.8.3 Dealing with Unusual Circumstances

A procedure should be in place to deal with requests for unusual circumstances. For instance, suppose a family has lost their home and its contents because of a fire. It is appropriate for the church to assist the family from donations to the benevolent fund. However, the church cannot be a “conduit” for monies that are otherwise not tax-receiptable. Community collections for the benefit of an individual or a family are generally not eligible for tax receipting.

Accordingly, you need to take great care in how any appeal is done, because this takes us into a grey area of CRA compliance. Raising the funds and providing assistance must be two separate functions.

1. The church board should identify the situation and recognize that financial assistance is needed.
2. An appeal can be placed in the Sunday bulletin requesting contributions for the benevolent fund in order to be able to respond to an emergent need in the community.
3. A small group should meet with the family to assess what is needed and determine what the church can reasonably do.
4. Provide assistance according to the assessment and the amount authorized by the board. There should be an amount restriction.

Disclaimer: This information is provided for general information purposes only. Readers are advised to seek professional advice or further church counsel for their particular situation.

5.9 Designated Gifts

Designated gifts are those where the donor has specified that the gift be used for something particular or over a particular time period. Designated gifts sometimes come with terms or conditions that are not acceptable to the congregation. Any unusual conditions should be discussed with the church board before a gift is accepted.

Keep the following in mind:

1. A church does not have to accept a designated gift if the gift is not usable. Sometimes designated gifts have specific uses that are no longer in keeping with the mission of the church.
2. Once the cheque, wire transfer, or cash is deposited in a financial institution, the church is considered to have accepted the gift, so it is important to think about the possible use of the gift before accepting it. Whoever deposits the funds for the church should make sure the church board/council wants to accept these designated funds before depositing the funds.
3. To be eligible for a charitable receipt, the designated funds should fall in line with the church's charitable purposes. The church board/council needs to be in control of funds of the church and has the responsibility for ensuring all programs, projects, and expenses are in line with those purposes.

If a church encourages designated gifts through its fundraising, it should state in its promotion what the excess will be used for if more funds come in than are needed for a project. For example, if donations are being accepted for "windstorm relief," it might be stated that if more funds are received than needed for the windstorm, the funds left over will be placed in trust for some future emergency.

Borrowing from special funds is not legal and should not be done. Interest earned on special funds should not be allocated to a different purpose.

5.9.1 Method of Reporting to the Official Board and Congregation

Increasingly, congregations with limited access to investment expertise or wishing to have a low-cost alternative are working with The United Church of Canada Foundation (see <http://unitedchurchfoundation.ca/investment-info/investment-information-overview>).

5.10 Gifts of Property and Gifts in Kind

5.10.1 Gifts of Stock, Mutual Funds, and Bonds

A gift of stock, mutual funds, or bonds is an increasingly common practice, especially for capital campaigns. Now, when taxpayers transfer shares to the church, they pay no tax on the capital gain.

Guidelines for Treasurers of Congregations and Local Mission Units

A gift of securities may make sense for anyone owning securities that have appreciated in value because there is no tax on capital gains of donated stocks, mutual funds, or bonds.

Note: To receive stock transactions, a congregation needs a brokerage account or access to one. They can use the services of the United Church Foundation to accept a gift of securities.

Why Would a Donor Want to Make a Gift of Stock or Mutual Funds?

Everyone with securities must dispose of them at one time or another. If they do not donate the stock, they pay capital gains tax on 50 percent of the appreciated amount. Giving the securities to charities eliminates the capital gains tax, and the donor receives a charitable donation tax receipt for the full market value of the securities.

Some donors may wish to use gifts of stock or mutual funds to fulfill a pledge or other cash commitment to the church (for example, a pledge to a local capital campaign), instead of using cash on hand.

In some cases, the tax receipt for a dividend-paying stock that is not performing well can be worth more to the donor than the shares themselves.

For example, John and Mary, who live in Ontario, pledged \$20,000 (\$10,000 per year over two years) to their local church building campaign. In the second year of this commitment, they find that they want some money for a vacation but are mindful of their pledge.

They have 200 shares that cost \$40. In this year, the shares are worth \$100 per share, so the value of the stock is \$20,000.

- **If they sell 100 shares at \$100 for \$10,000** to pay for their vacation, the capital gain on the stock is \$60 per share, or \$6,000, of which 50 percent, or \$3,000, is taxable.
- **If they give these 100 shares to the church, none of it is taxable**, and they will receive a charitable donation tax receipt of \$10,000.

Their solution: Give the shares to the church to fulfill their pledge, and save the cash in the bank for their vacation.

John and Mary will receive two types of tax savings (the example assumes a tax rate of 46 percent):

1. A \$4,600 tax credit (46 percent of \$10,000).
2. \$1,400 in additional savings (approximately 46 percent) because no capital gains tax needs to be paid on disposition of the stock. Capital gains taxes would have been \$1,400 (46 percent of \$3,000 capital gain).

The total tax savings for them will be 60 percent if they give the gift of appreciated

stock. If they give cash, the tax benefit will be only 46 percent (\$4,600 tax credit generated by the gift).

Points to Note

- The security must be a listed security (shares, mutual funds, bonds, bills, warrants, and futures that are listed on a prescribed stock exchange). Unlisted stock in a private company does not qualify under this provision. The United Church will only accept securities listed on registered stock exchanges (e.g., TSX).
- The security, and not the proceeds from the sale, must be given in order to be eligible for the capital gains exemption.
- The church issues an “in-kind” charitable donation tax receipt when it has received this type of gift. To issue an in-kind receipt, simply issue your usual charitable donation receipt with a note on it that this is an “in-kind gift of X number of shares of XYZ Company, valued at \$X per share on X date.”
- The value of the receipt is the value of the security **on the day it is received by the church** or the church’s broker, notwithstanding the value at any other time in the transaction. This raises some timing issues that are critical to the donor and the church. Most notably, the value of the stock could decrease by the time the church receives the gift.

An electronic transfer of securities usually takes about three business days, but delays can occur. It is important to stay on top of the transaction.

- Securities are converted to cash upon receipt.
- While a gift of securities can be received by a congregation without the assistance of the Financial Development Officer or Stewardship Gifts Officer, we invite and encourage congregations to consult with them for two reasons:
 - They can help facilitate the process.
 - If appropriate, they will ensure the donor is recognized as a legacy giving donor. This is important because it formally recognizes the donor, allows us to say thank you, and, if the donor chooses not to remain anonymous, sets an example for other congregants.

Procedure

First, the donor or the Financial Development Officer or Stewardship Gifts Officer (if involved) should check with the local congregation to ensure they are agreeable to receiving a gift of securities. If they are not, The United Church of Canada Foundation can receive the shares or mutual fund units and forward the proceeds to the congregation. Please visit unitedchurchfoundation.ca/ways-to-give/gifts-of-securities. If you would like to discuss your options, please contact Sarah Charters, Donor and Investment Relations Manager, 416-231-7680 or 1-800-268-3781, ext. 3410.

If your congregation doesn’t have a brokerage account, The United Church of Canada Foundation will provide this service for congregations, which minimizes the work and oversight for the trustees.

Steps

1. The donor informs the treasurer of the congregation or mission unit that they would like to make a gift of securities.
2. The donor informs their stockbroker that “X” security should be transferred to the church’s or Foundation’s brokerage account.
or
If the security is in certificate form, the treasurer should work closely with the congregation’s broker or bank to determine the procedures by which the broker or bank will receive the share certificates.
3. Again, the amount of the **charitable donation tax receipt will equal the value of the security as the closing market price on the date the gift was received in the church’s brokerage account**, to be in accordance with CRA guidelines.
4. The donor later turns all of this information over to their accountant for the next tax return, making sure to remind the accountant that there is no taxable capital gain on the appreciated amount of the gift of shares.

If the congregation does not want to open a brokerage account to redeem the securities, The United Church of Canada Foundation will accept the electronic transfer of shares on behalf of the congregation.

The Foundation does not charge an administrative fee for this service. The only fee associated with a gift to a United Church–related institution is the \$9.95 our discount broker charges per sale of shares. Visit unitedchurchfoundation.ca/ways-to-give/gifts-of-securities for more information.

These days most stock transactions are electronic. **If the security is in certificate form, it is recommended that the treasurer work closely with the congregation’s broker or bank to determine the procedures by which the broker or bank will receive the share certificates. The United Church of Canada Foundation can also provide assistance.**

For more information, visit <http://unitedchurchfoundation.ca/ways-to-give/gifts-of-securities>.

5.10.2 Gifts in Kind

A donation of property other than cash is called a gift in kind. The only exception is a donation of services, because **a gift of services is not eligible for a charitable receipt**. A gift of property to a charity is tax-receiptable. To establish the value of the gift in kind, you need an estimate of the fair market value of the item on the date on which it was donated (i.e., legally transferred to the charity).

Generally, “fair market value” is taken to be the highest cash price the property would bring in an open market. If an arm’s-length sale of the property has occurred near the date of the donation of the property, the charity might use the sale value for the tax receipt.

An independent appraiser who is not associated with either the donor or the charity should value the gift. In general, the donor should have the appraisal done because they will benefit from receiving the income tax receipt. Should the donor not be willing to arrange an appraisal, you should not issue a tax receipt.

Regulation 3500 of the Income Tax Act requires that a tax receipt for a gift in kind record the nature of the gift and the name of the appraiser. Any gift in kind of a substantial amount (greater than \$1,000) should be valued by an independent appraiser to protect the charity from CRA’s scrutiny and to benefit the donor.

If a taxpayer transfers merchandise or supplies to a charity in consideration of a right, privilege, material benefit, or advantage such as promotion or advertising for the taxpayer’s business, then the transfer is not a gift.

If people wish to donate their services to the congregation, they cannot receive receipts directly. Instead, the congregation must pay for the services rendered, and then the person may donate the money back to the charity in return for a tax receipt. These transactions must be separate—the donor should not endorse the back of the cheque to themselves from the charity. While the CRA does allow this, the administration is unnecessarily complex. To be brief—swap cheques!

If the donation is of nominal or little value (e.g., used clothing), no receipt should be issued.

5.10.3 Gifts to Charities

To qualify for an official receipt for income tax purposes, a gift must meet the following three criteria:

- The gift must be voluntary.
- There must be a transfer of property or cash.
- No consideration other than a receipt can be given.

The definition of “gift” is a voluntary transfer of property without valuable consideration.

- This definition has been defined in common law over many centuries.
- There must be an identifiable donor of property, and the charity must accept the property in order for an income tax receipt to be issued.
- The donor must voluntarily transfer the property, and no contract or condition can be attached. The donor relinquishes all control or influence.

Excluded from this definition is a gift of services or allowing a charity to use property at no charge, which are *not* considered gifts. No transfer of property is involved and no receipt can be issued. Here are some examples:

- Donated services such as no-charge repairs, lawn care, snow removal, and so on are not gifts.
- Use of a house or cottage is not a gift.
- A charity may not issue an official receipt for income tax purposes if the donor has directed the charity to give the funds to a specified person or family and not to the charity.
- A charity may not issue an official receipt for income tax purposes if the donor has directed the charity to give the funds to a non-qualified donee. Most foreign charities or foreign affiliations of Canadian charities are not qualified donees, and gifts directed to them are not eligible for official receipts.
- A charity may issue official receipts only while it is registered and must not issue receipts for funds that it will not itself be responsible for spending.

For more information or specific questions, see section 8.2.

5.10.4 Split Receipting

Split receipting is used in all situations where donors receive something in return for their donation. It has an effect on the amount for which a charity can issue a tax receipt.

To issue a receipt, determine the following:

- What is the fair market value (FMV) of the property transferred? (Even if you are not using split receipting you must determine the FMV.)
- Is consideration being received by the donor? What is its FMV?
- Is the gift eligible for a tax receipt?
- What is the amount to be receipted?

Split receipting introduces a new treatment of donations. A gift must be a **voluntary transfer of property** to a charity, but

- the donor may now receive some consideration of advantage in return and still be eligible for a tax receipt
- the gift must meet the **intention to make a gift threshold**—meaning there is a certain limit on how much of an advantage a donor can receive and still get a tax receipt

As in the past, the charity must determine the FMV of any non-cash gifts on the day donated. FMV must be accurate (this is important because disbursement quota is based on the eligible amount—to issue a receipt, a charity must know the value of what it has received).

FMV is generally the highest price, expressed in a dollar amount 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.

If a donor receives something worth very little in terms of the gift, this is referred to as *de minimus*.

De minimus advantages:

- Certain advantages are too minimal to affect the amount of a gift, so we do not include them as an advantage.
- Exclude these advantages if they are the lesser of 10 percent of the value of property transferred to the charity and \$75.

Example: A donor gives a gift of \$100 to a charity. The charity gives the donor a tote bag valued at \$8 as a thank-you gesture. The receipt would be issued for \$100.

The “Intention to Give Threshold”

To qualify for a tax receipt, the amount of advantage received back by the donor cannot exceed 80 percent of FMV of total property transferred. This does not apply to cash or near cash equivalents.

Issuing the Receipt

A receipt may be issued for the “eligible amount of the gift”—the amount the FMV of the property transferred exceeds the amount of advantage.

Example: A donor gives a gift of \$10,000 cash to a charity. The charity gives the donor a pen valued at \$200 as a thank-you gesture. The eligible amount of the gift is calculated as follows:

Total property transferred to charity	\$10,000
Advantage received by donor	<u>\$200</u>
Eligible amount of the gift	\$9,800

For a receipt to be issued there must be a voluntary transfer of property, not services.

If the charity fails to ask questions—that is, does not use due diligence—an incorrect receipt could be issued, which could trigger the imposition of intermediate sanctions. The charitable status of the charity could be revoked.

For more information, see the CRA website for very useful guidance and examples: www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/rcpts/menu-eng.html.

5.11 Funds for The United Church of Canada

5.11.1 Why Mission & Service?

The purpose of the church is to do God's mission. We engage in God's mission together as the people of The United Church of Canada through Mission & Service to address significant needs in the church and in the world. Through Mission & Service we support mission and ministry in the church, across the country, and around the world. Some mission and ministry is offered through the General Council Office or other areas of the church, and some is offered through partners. For the sake of doing God's mission together, congregations contribute their money to the unified fund called Mission & Service.

Since the United Church began in 1925, generous Canadians have contributed over \$1 billion for Mission & Service. For more information on Mission & Service go to www.stewardshiptoolkit.ca.

5.11.2 Mission & Service Treasurer

The treasurer of the pastoral charge and the Mission & Service treasurer may be two different people or may be the same person. In some cases the Mission & Service treasurer is also the Mission & Service Enthusiast.

5.11.3 Mission & Service Monies Held in Trust

Section G.4.3.2 of *The Manual* states that there should be a separate Mission & Service treasurer, givings should be in an account separate from other funds, and monies should be transferred monthly to the appropriate working unit (Financial Services) at The United Church of Canada.

Mission & Service givings are monies held in trust for Mission & Service and may not be used for operating expenses of the pastoral charge or for any other purpose.

Please transfer Mission & Service givings monthly to ensure a steady source of funding for the diverse mission and ministries supported by Mission & Service.

The Mission & Service portion of PAR gifts is also deposited to the pastoral charge's account. These should be transferred to The United Church of Canada regularly along with other gifts of money for Mission & Service.

For information on Mission & Service, see the special Mission & Service issue of *Mandate* magazine published every August. To request Mission & Service giving program resources and materials, please contact Mission & Service at the General Council Office: 416-231-7680 or 1-800-268-3781, ext. 4029.

5.11.4 Record-Keeping

The Mission & Service treasurer is advised of contributions each week after the deposit is made to the pastoral charge's Mission & Service account. In addition to contributions received from weekly worshippers and United Church Women, the Mission & Service treasurer might receive contributions directly from other individuals and groups.

A cashbook should be maintained to record

- the source of donations, dates, and amounts received
- dates and amounts deposited
- dates and amounts of transfers, including cheque numbers or online banking confirmation numbers

5.11.5 Means of Transferring Mission & Service Gifts

Please transfer Mission & Service givings monthly to ensure a steady source of funding for the diverse mission and ministries supported by Mission & Service.

You can transfer your Mission & Service gifts in any of the following ways:

1. **By mail:** Send a cheque and a transfer form by mail to: The United Church of Canada, 300-3250 Bloor St. West, Toronto, ON, M8X 2Y4, Attention: Nicole Chicote.
2. **By online banking:** Set up an online banking account. Transfer Mission & Service gifts through Bill Payment. Select "The United Church of Canada" from the payment vendor list. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
3. **At your bank or credit union:** If your financial institution provides online banking, you can request that your transfer be made online for you. You will need your account information. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
4. **At any RBC branch:** Bring your cheque for Mission & Service to any RBC branch for transfer/deposit to The United Church of Canada account, specifically: RBC, 2 Bloor St. East, Toronto, ON, M4W 1A8. Bank number: 003; transit number: 06702, account number: 000-038-0. Please include your Mission & Service number on the bank slip. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
5. **By bank or wire transfer:** Transfer from any bank to The United Church of Canada: RBC, 2 Bloor St. East, Toronto, ON, M4W 1A8. Bank number: 003; transit number: 06702; account number: 000-038-0; SWIFT number: ROYCCAT2. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
6. **By pre-authorized remittance (PAR):** Set up a monthly transfer to take place on the 20th of each month through PAR. You may adjust the transfer amounts before the 10th of each month. To register for or adjust your PAR plan, contact Cathy Guo at 1-800-268-3781 or 416-231-7680, ext. 3050, or cguo@united-church.ca.

5.11.6 Completing the Transfer Form

See section 5.11.10 for a sample transfer form. On the form you will provide the following information:

- Mission & Service number
- Date of transfer
- The calendar year for the Mission & Service contribution. This is particularly important in January to distinguish between gifts for the last calendar year and gifts for the current calendar year.
- Amount of Mission & Service giving from the congregation or pastoral charge, including any groups such as Sunday school gifts
- Amount of Mission & Service giving from the UCW
- Amount, if any, designated for World Development and Relief. This is the only area of work within Mission & Service that we can currently designate.
- Amount and detail of any special one-time gifts, such as a bequest or sale of property
- Total amount to be transferred
- Any new contact information for the Mission & Service treasurer
- Any change in how you wish to receive the giving reports

Thank you for ensuring that all Mission & Service gifts are transferred by the last Friday of January in order to be credited to the previous year's Mission & Service giving totals.

Preparing Cheques

1. Please make cheques payable to The United Church of Canada, put the current date on the cheques, and ensure they are signed by the signing officers.
2. Record the pastoral charge Mission & Service number on each cheque to avoid delays in processing.
3. Please do not combine Mission & Service transfers with remittances to the General Council Office for any other purpose. Issuing separate cheques ensures a better audit trail on your local books and also at GCO.
4. If several Mission & Service transfers are being sent in one envelope, write a separate cheque for each—with the identifying Mission & Service number on the back—accompanied by a transfer form or instructions in the form of a letter or note attached to the cheque.

To request a transfer form, please contact Nicole Chicote at 1-800-268-3781, ext. 3072, or nchicote@united-church.ca.

Transferring without a Form

1. If you do not have a transfer form, you can request one (see above), or you can transfer your contribution to Mission & Service with an accompanying e-mail or letter showing the breakdown of the amount by congregation, United Church Women, and any amount designated for World Development and Relief.
2. Please write your pastoral charge name and Mission & Service number on the e-mail or letter to accompany a cheque (with the Mission & Service number in the memo) or transfer by other means as noted above. You will receive a giving report and a blank transfer form for use next time.

Mission & Service Bequests through Local Congregations

If your congregation receives a bequest that is designated for Mission & Service, please do the following:

1. If the bequest is to be credited to the Mission & Service givings of the pastoral charge, include the amount of the bequest in your regular Mission & Service transfer.
2. If the bequest is not to be credited to the pastoral charge Mission & Service givings, forward the bequest separately.
3. Always include a covering letter with information about the donor and a copy of the pertinent excerpt from the Last Will and Testament.

Bequests through local congregations are recorded in the *Year Book & Directory* of the United Church.

If you have questions about making a Mission & Service transfer or about the record of your Mission & Service giving, please contact **Financial Services** at the General Council Office: 416-231-5931 or 1-800-268-3781. Please provide the necessary details to help resolve your issue quickly, such as Mission & Service number and transfer or giving report date.

5.11.7 Giving Report and Transfer Form

After your Mission & Service gifts are transferred, you will receive a giving report with a blank transfer form for use next time. You can choose to receive the giving report by mail, e-mail, or both. Multi-point pastoral charges may report giving at the congregational level.

The giving report includes

- a message of thanks for the people of your pastoral charge
- a summary of Mission & Service giving in the calendar year
- a detailed report on all transfers made in the calendar year

- a thermometer graph to compare giving to the giving goal set by the pastoral charge, or comparing the current level of giving with the previous year's total
- a blank transfer form to use next time

Please share the message of thanks with your pastoral charge. Please review and report any differences between the detailed figures and yours. If you have not received a giving report and transfer form one month after you have transferred your gift, please contact Nicole Chicote at 1-800-268-3781, ext. 3072, or nchicote@united-church.ca.

5.11.8 We Are Here for You

Your Mission & Service giving program contact: Cheryl Curtis, 1-800-268-3781, ext. 3096, ms@united-church.ca

Your administrative contact: Nicole Chicote, 1-800-268-3781, ext. 3072, nchicote@united-church.ca

5.11.9 Sample Mission & Service Record

Date		Mission & Service Receipts		
20				
Jan.	5	Envelopes	\$	347.25
	5	Church School		23.10
	12	Envelopes		343.50
	12	Church School		22.95
	19	UCW Contributions		174.30
	19	Envelopes		344.25
	19	Church School		23.15
	26	Envelopes		343.00
	26	Church School		23.00
	26	Special (<i>please provide details</i>)		65.00
	26	WDR (World Development & Relief)		50.00
		Total for month	\$	<u>1,759.50</u>
Feb.	2	Envelopes	\$	343.50
	2	Church School		22.80
	9	Envelopes		343.00
	9	Church School		23.20
	16	UCW Contributions		202.80
	16	Envelopes		342.75
	16	Church School		23.10
	23	Envelopes		344.50
	23	Church School		23.15
		Total for month	\$	<u>1,668.80</u>
		Total to date	\$	<u>3,428.30</u>
Date		Cheque No.	Disbursements	
20				
Jan.	31	0101	The United Church of Canada	\$ 1,759.50
Feb.	25	0102	The United Church of Canada	\$ 1,668.80
		Total to date		\$ <u>3,428.30</u>

5.11.10 Sample Transfer Form



Mission & Service Transfer Information and Form

Thanks to the people in your church for giving for Mission & Service. Because of you people are praying, preaching, teaching, justice-seeking, healing, and creating. Your gifts enable this to happen. Thank you!

You may transfer your Mission & Service gifts in any of the following ways:

1. **By mail:** Send a cheque and a transfer form by mail to: The United Church of Canada, 300-3250 Bloor St. West, Toronto, ON, M8X 2Y4, to the attention of Nicole Chicote.
2. **By online banking:** Set up an online banking account. Transfer Mission & Service gifts through *Bill Payment*. Select "The United Church of Canada" from the payment vendor list. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
3. **At your bank or credit union:** If your financial institution provides online banking, you can request that your transfer be made online for you. You will need your account information. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
4. **At any RBC branch:** Bring your cheque for Mission & Service to any RBC branch for transfer/deposit to The United Church of Canada account, specifically: RBC, 2 Bloor St. East, Toronto, ON, M4W 1A8. Bank #: 003; Transit Number: 06702, Account Number: 000-038-0. Please include your Mission & Service number on the bank slip. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
5. **By bank or wire transfer:** Transfer from any bank to The United Church of Canada: RBC, 2 Bloor St. East, Toronto, ON, M4W 1A8. Bank #: 003; Transit Number: 06702, Account Number: 000-038-0, Swift Number: ROYCCAT2. When the transfer is completed, send a confirmation e-mail to nchicote@united-church.ca with a completed transfer form.
6. **By pre-authorized remittance (PAR):** Set up a monthly transfer to take place on the 20th of each month through PAR. You may adjust the transfer amounts before the 10th of each month. To register for or adjust your PAR plan, contact Cathy Guo at 1-800-268-3781 or 416-231-7680, ext. 3050, or cguo@united-church.ca.

Giving Report

After your gifts are transferred, you will receive a thank you and a giving report with a blank transfer form for use next time. Please share the message of thanks with your pastoral charge. Please review and report any differences between the figures and yours. If you have not received a giving report one month after you have transferred your gift, please contact Nicole Chicote at nchicote@united-church.ca.

We are here for you!

Your Mission & Service giving program contact: Cheryl Curtis, 1-800-268-3781, ext. 3096, m&s@united-church.ca
 Your administrative contact: Nicole Chicote, 1-800-268-3781, ext. 3072, nchicote@united-church.ca

Please detach and send with your next transfer.

Send to Mission & Service, The United Church of Canada, 3250 Bloor St. West, Suite 300, Toronto, ON, M8X 2Y4

For the Mission & Service of The United Church of Canada, we attach the following Mission & Service gifts:

M&S Number _____
 For Year: _____
 Date: _____

	Amount from Community of Faith	Amount from UCW	Amount of Special Gift	Amount for WDR (World Development & Relief)	Total
Community of Faith 1					
Community of Faith 2					
Community of Faith 3					

(name) Pastoral Charge
 (not identified from specific
 community of faith)

Total Amount Transferred:

The Mission and Service of The United Church of Canada: God's Mission, Our Gifts  La mission et le service de l'Église Unie du Canada: la mission de Dieu, pour nous, par nous

5.12 Emergency Giving

From time to time, the church may solicit extra gifts for emergency situations such as famine, disasters, or refugee relief. When congregations and individuals wish to donate funds in response to an emergency situation they can make a gift in response to an appeal, or in the absence of an appeal they can designate a gift to a specific disaster.

Most treasurers now encourage donors to give directly online for formal appeals. This is less work locally and is handled in a fully automated manner.

Regular giving to Mission & Service enables the United Church to support global partners engaged in emergency relief work on an ongoing basis. All that's required is a cheque and instructions (on the cheque or in a cover letter) to transfer the amount directly to The United Church of Canada for the specific disaster. These over-and-above gifts are not considered part of the congregation's Mission & Service contribution.

To transfer locally receipted gifts for an emergency, please follow these steps:

1. Make sure all the gifts for one emergency are covered by one cheque payable to The United Church of Canada.
2. Enclose a covering letter directing how the money is to be used. If you are uncertain about the directions the donor has given, please check the suitability of the gift with the Philanthropy Unit before accepting it.
3. Wherever possible, please send your gifts for emergencies in a cheque for that purpose only and not combined with another transfer.
4. Mail the cheque to the General Council Office.

5.13 A Gift Fund with The United Church of Canada Foundation

What if a donor could save time and paperwork by supporting all of their favourite charities with just one gift? A personal gift fund with The United Church of Canada Foundation lets them do exactly that. All you need to do is make one donation to your fund. The Foundation issues an income tax receipt for 100 percent of the gift. Then it turns the gift into grants to the charities of your choice.

In 2006 the federal government eliminated the capital gains income tax inclusion on gifts of appreciated securities. Supporting charities through one gift of shares to your gift fund now saves even more money, as well as time. You can give to a charity that does not have its own brokerage account. You can give anonymously if that's what you prefer. The beneficiaries (a congregation, for example) receive a grant from "The Smith Family Fund (or an anonymous donor) of The United Church of Canada Foundation."

Once you set up your personal gift fund, you can go on using it in the future. Through your fund, you can support any Canadian registered charity that is not in conflict with the policies of The United Church of Canada.

Talk to Foundation staff at 1-866-340-8223 or fdn@united-church.ca to learn more about this convenient, economical means of giving to all the charities you love. You can also visit www.unitedchurchfoundation.ca.

5.14 Other Revenue Sources

There are other sources of revenue to support the church's mission. It has been the tradition to depend on events to fund a significant portion of the budget. Dinners and bake sales, etc., can help to develop community and fellowship. However, it is unwise to depend on them for a significant portion of the budget. Event fundraising is very labour-intensive and a drain on the volunteer resources of the community for the amount raised.

5.14.1 Rental Income

Renting congregational property to non-church groups or even to small businesses is increasingly common as pastoral charges try to address their budget challenges. In certain municipalities this may increase the risk that property tax will be levied. Congregations should not knowingly evade paying taxes. Using terms such as "space sharing," "honorariums," or "donations" for what is actually *rent* does not solve the problem. Take care in describing your relationship with non-church users of your property. You may want to consider the amount of tax that may be payable on extra income derived from renting church space and incorporate those taxes into the rent you charge.

Rental income for our churches is generally not subject to GST/HST.

Renting facilities to members at a lower rate than to non-members is considered a benefit to members and should not be done. It could jeopardize charitable status. Charge or don't charge, but do treat members and non-members the same way. It is permissible to have a separate "non-profit" and "for-profit" fee schedule. There may also be situations where a rental fee is waived for pastoral or community outreach reasons.

Certain renter arrangements might be considered part of church programming and therefore eligible for a different arrangement. If so, a board motion acknowledging this should be on record.

Popular tenants should have their own liability insurance, provide proof of this, and list the church as an additional insured.

5.14.2 Concerts

Fundraising concerts are common. However, since fundraising activity is not considered part of our charitable purpose, be aware that SOCAN fees are applicable. Most musicians know this and factor the fees into the concert budget.

5.14.3 Congregation Dinners

The “Fowl Supper” is a United Church tradition in many parts of the country. There are two things to watch for here:

- If you want part of the ticket cost to be tax-receiptable, the ticket price must be high enough to meet the split-receipting thresholds described in section 5.10.4.
- In completing the T3010, we recommend that food costs not be categorized as fundraising expense. The event is also a form a community outreach.

5.14.4 Congregation Outings

Split-receipting rules will apply if a tax receipt is part of the ticket price.

5.14.5 Emerging Revenue Generation Ideas and New Concepts

Cell Towers

Telecommunications companies across the country are striving to improve their wireless and other telecommunication networks. This often means seeking lease arrangements to install telecommunication antennae and sometimes towers. Many churches have land or steeples well situated for such an installation, and the potential revenue can be significant. It is wise to consult the congregation and the immediate community on any aesthetic considerations or other concerns. It is also wise to contact other churches that may have done the same thing to get their input on potential pricing, sample contracts, and so on. Be aware that cell tower installations can be contentious.

Internet Marketing: Pay per Click

Most churches probably do not want to introduce a commercial angle on their website. However, in limited situations, this can be a modest source of incremental revenue.

Church-Endorsed Products or Services: Church–Business Partnerships

One recent proposal circulating among congregations offers them an opportunity to earn income for the congregation by becoming the “independent agents” of a company that sells electricity and long-distance services, among other things. The congregation could encourage its members to buy the company’s products and get a bit of money in return. If it wanted to make more income for the congregation, those members could encourage others to buy the product. Generally, great care must be taken in this area. It is usually not worth the effort unless or until we get clarification through legislation or CRA guidelines. See section 8.7.

A more interesting and defensible idea is arising from church greening initiatives. Installing solar panels in church buildings may yield surplus power that can be sold. This is a variation on deriving income from your building. Such income is consistent with our charitable purpose and unlikely to be of concern to the CRA.

5.14.6 Government Grants and Loans

United Churches have received literally millions of dollars from various provincial and federal funding programs targeting improved accessibility, seniors' programming, and so on. To qualify, the church typically needs to demonstrate that it serves as an important community centre with significant public use and public benefit.

The call for applications is usually time-limited, so you almost always have to have your proposal ready to go, complete with architectural drawings or building plans.

Government bodies require that charities provide legal documentation typically associated with incorporated bodies. Since individual churches are not incorporated, we provide a confirmation letter instead from the General Council Office (see the sample on page 85). This should be requested during the application process.

5.14.7 United Church Loan and Grant Programs

The United Church offers a variety of funding possibilities nationally. Some Conferences and presbyteries also have funding programs. Most are targeted toward specific themes or new initiatives as opposed to help with ongoing church operations.

Every treasurer should be aware of capital assistance programs. Modest matching grants (up to \$5,000) are available to smaller congregations. Loan programs are available more broadly. See www.united-church.ca/leadership/church-administration/congregational-finance.

The purpose of the Capital Assistance Fund is to provide financial assistance for the renewal and development of congregations, camps, education centres, community ministries, and chaplaincies. Assistance is available in the form of loans and targeted grants for eligible pastoral charges/congregations and other ministries that would otherwise be unable to undertake or complete these projects.

Low-interest loans are the main way the church invests in local projects. The ability to repay a loan is obviously a key factor. In this way, money is "recycled" for use in various ministry situations. Loans of more than \$100,000 are secured by mortgage.

Some grants are available, especially in financially limited situations. Please check the eligibility criteria carefully, since monies are deliberately intended for smaller mission units.

For more information please visit www.united-church.ca/leadership/church-administration/congregational-finance.

Sample Letter of Good Standing

THE UNITED CHURCH OF CANADA		L'ÉGLISE UNIE DU CANADA
<p>Re: ABC United Church CITY/TOWN, PROVINCE</p>		
<p>To Whom it May Concern:</p>		
<p>I write to confirm that ABC United Church (XXXXXXRR0001) is a long standing congregation of The United Church of Canada as provided for in <u>The United Church of Canada Act of 1925</u>. It is governed by the provisions of that act, and is in good standing with the United Church of Canada. It is bound by <i>The Manual</i> of The United Church of Canada, www.united-church.ca/handbooks.</p>		
<p>Pursuant to The United Church of Canada Act of 1925, the church property is owned by ABC United Church for so long as it exists as a congregation of The United Church of Canada, and in the event of dissolution, the property would revert to The United Church of Canada. Title is held in the name of the Trustees of ABC United Church, who are duly authorized to deal with property matters as set out in <i>The Manual</i>.</p>		
<p>Government bodies and financial institutions often assume that our churches will have their own governing documents. This is often not the case. Virtually all United Church congregations are not incorporated and consequently often do not have letters patent and some of the usual documentation expected of incorporated bodies. Our churches are internal divisions of the national incorporated body but maintain individual charitable status.</p>		
<p>I hope this confirmation is sufficient to support their application for assistance. We appreciate the support GRANT Foundation has provided to many of our congregations. If you have questions, please contact me at 416-231-7680.</p>		
<p>Yours sincerely,</p>		
<p>The United Church of Canada</p>		
<p><small>The Mission and Service of The United Church of Canada: One's call to love and life La mission et le service de l'Église Unie du Canada: Un appel de Dieu, pour nous, par nous</small></p>		

5.15 United Church Foundation Grant Programs

Through bequests and outright gifts, generous donors to The United Church of Canada and The United Church of Canada Foundation have provided for the future of church by creating trusts and endowments.

As part of the stewardship of these trusts and endowments, the Foundation provides grants to assist United Church organizations in undertaking new and innovative projects that fulfill the mission and vision of the church as well as fulfilling the wishes of donors who provided specific instructions on how their funds were to be used.

To assist interested organizations, the Foundation has created a webinar on grant writing that includes information on the various granting streams of the church and the Foundation. The webinar was last offered on January 21, 2016. You can access a recording of the one-hour session at edgenetwork.adobeconnect.com/p67q716aquv.

5.15.1 Seeds of Hope Granting Program

Broad trusts and endowments that the Foundation Board or donors created provide annual grants through the Seeds of Hope granting program to support innovative, unique, and much-needed projects that enable us to live out A New Creed's call to seek justice, live with respect in creation, and love and serve others.

The Joint Grants Committee welcomes applications to this program for new, unique projects that

- provide innovative seniors' ministry
- focus on children and youth
- address environmental and social justice issues
- look at new ways to provide ministry and support during transition periods
- facilitate experiencing faith and spirituality

Be sure to review www.unitedchurchfoundation.ca/grant-info/seeds-of-hope/seeds-of-hope-overview to determine what grants are offered in each cycle.

5.15.2 Scholarships and Academic Awards

Generous donors have made gifts to support the education, continued learning, and scholarship of United Church ministers—ordained and diaconal—and ministry students. They have also established trusts to recognize excellence in teaching and theological scholarship.

The United Church of Canada Foundation offers various academic award opportunities. Leaders can be awarded scholarships such as the Davidson Award and the McGeachy Senior Scholarship. Other trusts, like the W. Norman McLeod Scholarship and the Clifford Elliott Rural Ministry Award, provide monies to support theological education.

Application deadlines vary. Please see each individual award and scholarship at www.unitedchurchfoundation.ca/grant-info/scholarships-bursaries-lectureships/granting-funds for details, guidelines, and how to apply.

5.15.3 Innovative Ministry

Embracing the Spirit

Embracing the Spirit is a new learning network and innovation fund made possible by givings to Mission & Service. The goals of Embracing the Spirit are to

- spur innovation across the entire United Church of Canada network of faith communities
- make piloting programs easy and accessible
- ensure that successful initiatives continue to thrive and gain momentum
- create a learning network that supports innovative faith communities through connection and fostering collaboration
- support existing funding programs by encouraging faith communities to experiment and assisting in the early stage of idea development
- support both new and renewing faith communities

Embracing the Spirit is enthusiastically and generously supported by the people of The United Church of Canada through their Mission & Service giving. We celebrate the vitality of Embracing the Spirit projects, as shown in their positive spiritual, social, and ecological impacts and potential for financial sustainability.

Commissioners at the 42nd General Council (2015), the United Church's governing body, decided to establish the Embracing the Spirit program to support new ministries and new forms of ministry with 10 percent of the annual Mission & Service budget. Embracing the Spirit projects—alongside Mission & Service—supported programs and grants for global initiatives, community justice programs, healing and reconciliation work, theological education, and programs that support faith formation and build leadership—all contribute to a vital United Church.

Visit www.united-church.ca/community-faith/being-community/embracing-spirit for more information, including deadlines for applications.

5.15.4 New Ministries Fund

The New Ministries Formation Fund and The London Conference New Ministries Fund provide financial and coaching assistance for

- the formation and development of new intentional faith communities and non-traditional approaches to Christian ministry
- exploratory research for new ministry initiatives
- ministry redevelopment in a pastoral charge/congregation/presbytery/district with the aim of responding to new communities

New ministry initiatives are ministry opportunities that respond to changing cultures, established for the benefit of people who are not yet members of any church or intentional faith community. They respond to urban, rural, and suburban realities; they are sensitive to the intercultural commitments of the church; and they reflect a commitment to the environment and to peace and justice. New ministry initiatives are intended to be discerned in a particular context, and demonstrate creative responses to that particular local vision and opportunity.

The New Ministries Formation Fund and The London Conference New Ministries Fund will

- seek to increase the capacity of ministers to launch new ministry initiatives through specialized education opportunities funded by grants
- support new methods of reaching out to people not currently involved in any faith communities

Eligibility

We invite individuals, ministries, and courts of The United Church of Canada seeking to develop a vision and ministry to initiate the requisite consultations.

All applicants will be required to participate in the New Ministry Fund Application webinar hosted by EDGE: A Network for Ministry Development, and further consultation, before applying to the fund.

The London Conference New Ministries Fund supports initiatives in London Conference, with options to provide limited support to projects outside of London Conference.

Criteria

These funds support and give priority to initiatives that build either new faith communities or relationships with communities that not currently a part of the church.

Criteria for an initiative are as follows:

- Be contextual to a particular opportunity in a particular local area and supported by thorough research.
- Support intentional faith community formation.
- Have identified partnership(s)—e.g., another congregation, presbytery, or Conference, or another faith community.
- Be innovative in its approach and a clear articulated vision.
- Explore new ways of engaging in ministry in a post-denominational and post-Christian society.

If you would like more information or to apply, please visit EDGE's website: www.edge-ucc.ca/new-ministries.

5.15.5 Aboriginal Ministry Funds

The Healing Fund

The Healing Fund, established in 1994, offers financial support to grassroots projects that focus on healing and reconciliation. The Healing Fund Council, with representatives from All Native Circle Conference, British Columbia Native Ministries, and Ontario/Quebec Native Ministries, seeks to represent the diversity of Indigenous communities across the country, determines the fund's criteria, and evaluates applications.

Projects must be connected to the continuing need for healing from the legacy of the Indian residential schools system. Many name a need for mending, restoring, and celebrating—a sense of loss, along with hope for rebuilding identity.

For more information please visit www.united-church.ca/community-faith/being-community/healing-education-and-development.

Justice and Reconciliation Fund

The Justice and Reconciliation Fund was established in 2000 by the Residential Schools Steering Committee of The United Church of Canada to assist the church in understanding and responding to the legacy of harm and broken relationships that have resulted from the Indian residential school system. The fund supports projects—initiated by Conferences, presbyteries, congregations, outreach/community ministries, and education centres—that foster dialogue, reconciliation, and relationship-building between Indigenous and non-Indigenous peoples. Projects initiated outside the church that meet the goals of the fund and involve church members as participants are also considered.

The fund considers projects or events that are educational and relationship-building initiatives created specifically to facilitate dialogue, understanding, and right relations between Indigenous and non-Indigenous peoples within the context of Indian Residential Schools and related Indigenous justice and rights issues. Since its creation, the fund has supported projects across the country and disbursed over \$755,000.

For additional information or to apply, please visit www.united-church.ca/social-action/justice-initiatives/justice-and-reconciliation-fund.

Dorothy Jenkins Fund

The Dorothy Jenkins Fund promotes community development strategies, healing models toward truth and reconciliation, healing the spirit, building right relations, and continuing education for ministry personnel.

For more information, please visit www.united-church.ca/community-faith/being-community/healing-education-and-development.

5.15.6 Youth and Young Adult Programming

Vision Fund

The United Church of Canada Youth and Young Adult Vision Fund's purpose is to provide financial support for youth and young adult ministries and programs in the United Church. The fund offers three grants for United Church congregations:

1. Seed Grants for trips or projects for new initiatives in youth and young adult ministries in The United Church of Canada. Up to \$3,000 plus another \$3,000 (maximum) if matching funds are obtained.
2. Flourishing Ministries supports identity-shaping and transformative youth and young adult ministries. Up to \$25,000 a year for three years. Applicants must have already received a Seed Grant.
3. Bursaries for continuing education and development of youth and young adult ministry leaders.

For more information please contact visionfund@united-church.ca or see www.united-church.ca/community-faith/being-community/vision-fund.

5.15.7 Regional Grants

Good Samaritan Fund (Greater Montreal Area)

The Good Samaritan Fund was established by The Good Samaritan Foundation Board of Directors, Montreal Presbytery, and The United Church of Canada to carry on the good work of the Griffith McConnell Residence, which served Montreal's seniors for many years.

This fund focuses on granting to programs that work with seniors at risk (with special attention paid to those within Montreal Presbytery's jurisdiction) that will both benefit most from these funds and remain consistent with the original intent of the mission of The United Church Montreal Homes for Elderly People Griffith-McConnell. Capital improvement projects will not be considered.

For more information and to apply, please visit www.montrealpresbytery.ca/?q=node/732.

Alice K. McDonald Fund (Elgin Presbytery)

The Alice K. McDonald Bursary was established by Marion Bennell, her brother, and her mother to support candidates (students) for ministry from Elgin Presbytery preparing to become ministers of The United Church of Canada.

For more information on this fund please contact Elgin Presbytery, The United Church of Canada, at elginucc@start.ca.

5.15.8 Diakonia Grants

The Barbara Elliott Trust Fund for Innovative Ministry

The Barbara Elliott Trust Fund for Innovative Ministry supports innovative and non-traditional ministries that find it difficult to secure regular funding.

Funding criteria:

1. Financial support from the Barbara Elliott Trust Fund is for ministries that do not have secure regular funding. Funding should be seen as seed money to get new projects started, for new aspects of existing programs, or to enable a one-time special project, and not for support of ongoing work. A project is only eligible for one grant.
2. Projects should be led (in staffing or volunteer positions) by diaconal ministers or people whose work in ministry reflects a spirit of commitment to diakonia. Further understanding of this is expressed in the Diakonia of The United Church of Canada Statement of Vision (2009). Applicants are not restricted to those affiliated with The United Church of Canada.
3. The ministry should be focused on building community strength, not primarily on providing support for individuals.
4. Projects need to demonstrate an identified need for this ministry.
5. Projects must have a mechanism of accountability to a charitable organization, either as a direct project of a recognized charity or sponsored by a recognized charity. Projects must demonstrate oversight of a volunteer board of management.

For more information, please visit ducc.ca/grant-opportunities/barbara-elliott-fund.

The Kaufman Renewal and Emergency Fund

The Kaufman Renewal and Emergency Fund is to help with the cost of retreat, reflection, renewal, and rest experiences and to make possible a grant or loan for people who are in an emergency situation. United Church diaconal ministers and graduates of the Centre for Christian Studies (and its forerunners) are eligible to apply.

For more information, please visit ducc.ca/grant-opportunities/kaufman-fund.

5.16 CRA Reference Guides

Main webpage: www.cra-arc.gc.ca/chrts-gvng/chrts/menu-eng.html

Giftng and Receiptng: www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gftng-rcptng-eng.html

P113 *Gifts and Income Tax 2015*: www.cra-arc.gc.ca/E/pub/tg/p113/README.html

IT297R2 *Gifts in Kind to Charity and Others*: www.cra-arc.gc.ca/E/pub/tp/it297r2/README.html

IT226R *Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust*: www.cra-arc.gc.ca/E/pub/tp/it226r/README.html

IT288R2 *Gifts of Capital Properties to a Charity and Others*: www.cra-arc.gc.ca/E/pub/tp/it288r2/README.html

6. Good Management Practices

6.1 Managing Expenses

Disbursements are usually made in one of two ways:

Petty Cash

A petty cash account may be established to pay minor transactions throughout the month. Reconcile the petty cash fund to invoices every month. Disburse funds only upon submission of a written receipt. Keep the money in a locked and secure file at all times. Many treasurers no longer bother with this as a labour-saving tactic.

Cheques

All other disbursements should typically be made by cheque. Some churches prefer and have the capacity to manage pre-authorized payment arrangements and even direct deposit or electronic banking. Whichever you use, controls are needed.

Ideally, all cheques should be signed by **two signing officers who are at arm's length**, and supporting documents should be attached to the cheques for review by the signing officers. The signing officers should initial the supporting documents/invoices to indicate they've been reviewed *before* signing the cheques. It is, however, acceptable and common to have one signer for amounts up to a specified threshold. Note too that with the increasing use of online banking, one individual will inevitably be effecting those transactions online. In this instance, the invoice review steps are where you want two sets of eyes.

Blank cheques should **never** be pre-signed by one of the signing officers.

6.2 Internal Controls

6.2.1 Protecting Cash

These procedures are set out here for a reason. Regrettably, churches are prime targets for fraud, and successful frauds are never achieved by someone who wasn't trusted.

The treasurer is responsible for monies entrusted to the pastoral charge and should take care to protect them against loss or theft. In most communities, banks have direct deposit facilities for use after hours and on holidays, so cash can be deposited on the same day it is received. Alternatively, put money in a suitable floor or wall safe if it is to be deposited on the next business day.

At least **two members** of the committee of stewards who are at arm's length must keep the weekly offering in their custody at all times until the receipts have been counted, checked, recorded, and deposited. At least two members of the committee of stewards should go to the bank together. Make sure you carry enough burglary and theft insurance to protect you against loss.

Contributions to Mission & Service or to any special purpose authorized by the pastoral charge are monies received in trust. Unreasonably delaying using these gifts for their intended purpose, or using them for some other purpose, is a breach of trust.

6.2.2 Segregating Duties

The purpose of internal controls is to protect the reputations of individuals involved with church finances and to protect the church's assets. The church has a duty to its volunteers to protect them from unfounded accusations they cannot defend themselves against. Still, fraud can and does happen, and it is appropriate and prudent to have preventive measures in place. Internal controls usually involve dividing financial duties in a way that creates checks and balances and does not allow one person to both make a mistake and then cover up that mistake. See section 6.2.3.

An accounting system must contain a series of checks and balances to ensure that monies and property belonging to the congregation are properly received, adequately protected, accurately recorded, and effectively used.

No one person should be in complete control of any one accounting transaction.

- Cheques are signed by two signing officers who are at arm's length.
- Cash is counted, recorded, and deposited by at least two people who are at arm's length, preferably people other than the treasurer. Only the treasurer records deposits. Cash is counted at the church and deposited as soon as possible, preferably by using the bank's night deposit.
- All receipts for contributions and other income are prepared in duplicate.
- Expenses are compared to budget and paid only if there is an approved voucher.
- All church financial activity—including that of the UCW, youth, Sunday school, and so on—is included in all records and reports, including the annual report and the T3010 Registered Charity Information Return. In smaller settings, this consolidation can take place annually, but best practice is for the full picture to be available and to have consolidated banking in place.
- The board, council, or sub-executive sees original bank statements for all investments monthly. This ensures that funds are never removed from the accounts without proper authorization. The bank statements are initialled and dated by the people who verify them.
- Bank reconciliations and bank statements are scrutinized monthly and verified by someone other than the treasurer. This approval is documented by dating and initialling the reconciliations.

6.2.3 Misappropriation of Funds

Every year, church funds disappear when proper financial controls are not followed or are not in place. Church leaders are responsible for ensuring there are prudent fiscal controls. Successful frauds are never committed by someone who wasn't trusted.

Churches are particularly vulnerable to embezzlement because of the level of trust given to employees and volunteers and the lack of sophistication regarding financial controls and oversight. Misappropriation of funds can happen with monies collected in the offering plate, with disbursements, and with bank accounts. Policies for ensuring the safety of all the assets of the church are important to develop and monitor.

Churches sometimes have special accounts for funds that will be used at a later date for a special purpose, such as a major renovation or addition to the church. Such accounts are not always monitored closely since the funds are not needed immediately. It is very important that others in leadership roles, such as the church board or council, sub-executive, or finance committee, see the actual bank statements for all accounts every month to verify that the funds are in the account. It is recommended that these people initial and date the original bank statements for all accounts after seeing them. A person other than the treasurer should verify the bank reconciliation each month, and the reconciliation should then be initialled and dated by the verifier. When an organization allows the person who is writing the cheques to control the bank statements, the organization is more vulnerable.

All withdrawals should have two signatures by people who are at arm's length, much the same way cheques are handled.

A yearly audit is an effective way of deterring embezzlement, but nothing is more effective than segregating duties and cross-checking everything.

Keep all the financial records of the church at the church. With computerization, the treasurer should upload all records to the church's computer monthly. This is wise because it provides a backup in case a volunteer's computer crashes, and more importantly it provides a second set of records that can be verified.

Sometimes there is confusion between confidentiality and secrecy. Very few things need to be kept secret. Givings records need to be kept confidential, but nothing about how a church spends money needs to be secret. In fact, it should be common knowledge.

If you have concerns about fraud, report them immediately. Everything possible must be done to prevent fraud from happening or allowing mistrust to grow.

Check with your insurance company to ensure you have adequate insurance in case of fraud or embezzlement (see www.united-church.ca/leadership/ucc-protect). Also check with your insurer that you have adequate internal controls. If a church has a pattern of operating that contributes to a loss by embezzlement, the insurance company will probably not cover the loss.

Internal controls play an important role in ensuring your church is not a victim of fraud or embezzlement. **Review your internal controls once a year.**

6.3 What Is a Church Audit or Independent Review?

A church audit or independent review is an independent evaluation of the financial reports, records, and internal controls of the church by a qualified person or persons for the purpose of reasonably verifying the reliability of financial reporting, determining whether assets are being safeguarded, and whether the law, *The Manual*, and policies and procedures are being complied with. An audit or review includes *all* groups and bank accounts in the church.

“Independent” means the auditor or reviewer must not be subject to control or influence by anyone who is responsible for the financial accounts and records of the church. For example, the treasurer, their spouse or relative, or their best friend should not conduct the audit or review. People who handle any church funds should not perform this important duty.

Every year, each pastoral charge or congregation needs to produce an audited or independently reviewed financial statement for the board of trustees. *The Manual* states:

G.4.2.2 General Oversight

The governing body is responsible for

- (a) overseeing fundraising for the ministry of the congregation or pastoral charge and of the wider United Church;
- (b) ensuring that funds received for the ministry of the congregation or pastoral charge are disbursed as set out in the approved budget;

There is an order of priority that must be followed when funds are being disbursed. See section G.4.2.4 below.

- (c) presenting independently reviewed financial statements to the congregation or pastoral charge at the annual meeting for
 - (i) the receipts and expenses of the congregation or pastoral charge;
 - (ii) the receipts and expenses of the trustees of the congregation or pastoral charge; and
 - (iii) the receipts and payments of money given to the Mission and Service Fund; and
- (d) overseeing the financial situation of the congregation or pastoral charge between its annual meetings.

The auditor is appointed annually by the pastoral charge or by the official board acting on behalf of the pastoral charge. The pastoral charge or congregation may choose to hire a public accountant to perform an audit and render an opinion on the fairness of the financial statements. Many public accounting firms are available to perform this service should you decide to pursue this option. However, in some areas it may be impossible to find an auditor or the cost versus benefit is deemed to be too high.

In this case, the pastoral charge may choose to appoint an individual who understands the role of an independent review of the financial records and is familiar with bookkeeping. This person should be independent of the recordkeeping functions of the pastoral charge and at arm's length from the treasurer and bookkeeper. It may be that the pastoral charge is fortunate to have a member who is able and willing to assume this role. If not, the pastoral charge should seek outside assistance or consider an "audit swap" between pastoral charges.

The audited financial statements are presented at the annual meeting of the pastoral charge. It is best practice to have the auditor or independent reviewer present to answer questions.

6.3.1 The Independent Review

An independent review of the financial records fulfills a number of functions. The review acts as an important "double check" on the records and ensures that all financial transactions have been properly recorded. The presence of an independent reviewer helps to protect the treasurer in their duties and provides a degree of assurance to the congregation. The independent reviewer may also spot potential weaknesses in the accounting system, allowing them to be reported and corrected before errors occur.

Procedures usually carried out by an independent reviewer:

- ensures duties are segregated among two or more people who are at arm's length
- examines the minute book of the committee of stewards
- examines for accuracy the books of record by reviewing cash receipts, cash disbursements, payroll, and general ledger transactions
- ensures proper authorization of transactions (for example, verifying there are two signatures on cheques)
- reviews bank reconciliations for the year
- ensures all donated monies designated for Mission & Service have been forwarded to The United Church of Canada monthly
- reviews the pastoral charge's recordkeeping procedures and ensures the chance of error or fraud is minimized
- verifies cash receipts against charitable tax receipts issued
- ensures the T3010 Registered Charity Information Return was completed and forwarded to the CRA Charities Directorate not later than six months after the previous fiscal year-end

6.3.2 The Treasurer's Role in the Audit or Independent Review

The treasurer should ensure that complete financial records, including financial statements for the year, are made available to the independent reviewer as soon as possible after year-end. All bookkeeping records should be made available. In addition, the reviewer may need access to source documents such as original invoices, cancelled cheques, charitable donation receipts, and so on.

If a gift is accepted that can only be used for a specified purpose, that gift must be accounted for separately from gifts given to the church for general purposes. Documentation for this restriction must be maintained in the church's records. For more on restricted funds, see section 5.6.

6.3.3 Audits Are Good Stewardship

An annual audit is a good way to

- protect the people the local congregation elects to positions of financial responsibility from unwarranted charges of careless or improper handling of funds.
- build people's trust and confidence in how their money is being accounted for and used. Trust and confidence lead to improved patterns of support.
- set habits of fiscal responsibility to ensure that when there is a change in personnel there will be continuity in accountability.
- provide checks and balances for sums received and expended.
- ensure that gifts made to the congregation with special conditions attached are consistently administered according to donors' instructions, thus letting the donors know their gifts are used as intended.

Conducting an audit is not a sign of distrust.

- It is a mark of responsibility.
- It is good stewardship demonstrated for all to see.
- It is a message to donors that you care about their gifts.

6.4 Annual Statistical and Information Forms

Treasurers are asked to enter the financial information of the church on the annual Statistical and Information Forms. The details provided on these forms are used to develop the *Year Book*, which lists vital contact and statistical information for each pastoral charge, presbytery, and Conference and the General Council. The time and effort you put into completing the forms is greatly appreciated.

This information is managed by the Information and Statistics Coordinator at the General Council Office and is essential to the work of the church on all levels. The information helps tailor services to the needs of individual congregations across the country.

The forms are sent to every pastoral charge in December or early January. Sections 1–4 of the forms are preprinted with the charge’s most recently submitted statistical information to help with preparing the responses for the current year. While we still accept paper submissions, we hope as many congregations as possible will file online. You can do this by downloading standard software at <https://webapps.united-church.ca>.

Treasurers are usually asked to complete two parts:

- Section 4: Property and Insurance Information
- Section 5: Financial Information

When you complete these sections, four items will make your task easier:

1. the Instruction Booklet accompanying the forms
2. Worksheet—Form B, which will help you gather and organize the financial information
3. a copy of the summary of all the statistics (including Section 5) submitted by your pastoral charge last year
4. a copy of your pastoral charge’s most recent annual report, including the financial statements

The Instruction Booklet, which includes samples and Worksheets A and B, can be downloaded from <https://webapps.united-church.ca>.

If you need assistance or are missing information, we encourage you to call or e-mail Susan Jackson, Information and Statistics Coordinator: 416-231-7680 or 1-800-368-3781, ext. 2031; sjackson@united-church.ca.

6.5 Music/Licensing Fees: Check Whether They Apply to You

Copyright is a legal matter affecting congregations as an annual financial responsibility. It is also a justice issue for composers and hymn writers. Copyright law applies to your church and to everyone in your church.

6.5.1 SOCAN (Society of Composers, Authors and Music Publishers of Canada)

Most recorded or live music you hear in public places is subject to a fee charged to the site owner/administrator. The United Church strongly supports efforts to ensure creative artists receive all due compensation and recognition.

Music played in the furtherance of religion is EXEMPT from SOCAN fees, so most church activities involving music are exempt from SOCAN fees.

However, if you have a fundraising concert or if you rent your hall for a wedding *reception* where music is played, a SOCAN fee is likely payable. **Note:** Music played at the wedding *ceremony* is an exempt church activity. Music played for an exercise class

is probably subject to a fee; music played for a church spiritual development program (yoga/meditation, etc.) is not. Generally, music played by renters is subject to a fee. We recommend including mention of SOCAN fees in rental agreements and having tenants assume responsibility for any fees.

Understandably, SOCAN strives to ensure it receives all fees properly due and tries to police this across a myriad of sites. We recommend focusing on understanding whether you have any activity at your church that might properly be subject to SOCAN fees and then deciding whether to register. For more information, see www.socan.ca.

6.5.2 Copying or Projecting Hymns

The easiest legal way for your church to make copies of hymns from *Voices United* or *More Voices* is to purchase licences from One License (www.OneLicense.net), CCLI (www.ccli.com), and LicenSing (www.licensingonline.org).

“Making copies” includes printing a hymn or stanza in bulletins, projecting a hymn or part of a hymn, photocopying hymns for any reason, or reproducing them in any way. **If you are singing from the book and *not* copying the hymns in any way, you do not need a licence.**

The cost of the licences depends on the weekly average number of worshippers in your church. Costs vary with each company. Once your church has purchased its licences, you need to report monthly to each company which hymns or parts of hymns you copied. This is easily done online. The composers and other copyright holders each company oversees are then paid the royalties due to them.

While your music director may be responsible for this part of your budget, it is important to ensure the licences are renewed annually and the reporting is completed accurately. Treasurers have compiled spreadsheets to simplify this task.

The “Copyright Guide for Congregations” found at www.united-church.ca/handbooks provides further information.

6.6 Using Modern Technology and Software

This section is for treasurers of preaching points, pastoral charges, and presbyteries who are relatively new to the potential uses for a computer and how to get started. Most volunteers and churches now use technology routinely. While we don’t offer specific software recommendations, there are online discussion groups you can consult.

Reasons to Use a Computer in a Church Administrative Setting

- recording expenses and preparing budgets and financial statements
- accounting for donations, grants, or bequests and issuing receipts
- maintaining membership rolls and performing stewardship analysis
- producing materials such as bulletins, newsletters, minutes, and advertising materials
- keeping building, furniture, and equipment inventories for insurance and other purposes
- storing information about people who have contact with the congregation but are not members (e.g., non-member baptisms, weddings, and funerals)
- communicating with other pastoral charges and organizations via e-mail
- playing music, making visual presentations, and an ever-increasing number of other uses

6.6.1 Data Integrity and Security

You need to maintain the safety and integrity of the data stored on the computer in exactly the same way you would the safety and security of your church's paper records. Safety and integrity of data involves three main areas: physical security, responsibilities, and access.

Physical Security

The data must be kept physically safe. Always keep an up-to-date backup stored offsite using whatever method is simple and cost-effective. Cloud-based solutions are increasingly popular. In some respects a church is like a business, and you must be able to restore data and operations if the computer is stolen or damaged or malfunctions.

- The need for backups cannot be overemphasized. The hard drive of your computer can physically fail (crash) or be compromised by computer viruses. This, in turn, can result in your losing important data and software.
- If a computer virus causes a loss of data, it can affect your backup process and backup data too. To avoid a complete loss of important data, periodically test your backups and consider a monthly archive process so you can go back to a restore point before the virus caused the loss of data.

Responsibilities

- Ideally, important congregational data should not be stored on your home or business computer, certainly not the only or most current version of the data. It may become inaccessible in the case of accident, death, or estrangement from the congregation. You have both a moral and a fiduciary responsibility for the safety of the data. The original data should typically be stored at the church. In practice, though, treasurers often keep a "working copy" for ready access or to work on when time permits.

- Confidentiality and privacy must be maintained. Any computer application containing confidential financial, personal, or human resources data must be adequately protected from unauthorized access.
- If you are the primary user, you have a responsibility to ensure the equipment is properly maintained or able to be maintained.

Access

To protect the integrity of both data and software, consider a policy that restricts computer access to the people who are knowledgeable about using the equipment and who will help to protect the privacy and integrity of any personal data.

In considering the integrity and safety of your data, you must weigh the options of using donated equipment or new equipment.

Donated Equipment: Often Not Worth the Hassle

A treasurer may be approached by a member of the congregation or the business community about a donation of computer equipment. This can be a wonderful thing because computer equipment can be expensive, but before you accept donated equipment or software, consider the donation carefully.

Computer hardware becomes obsolete quickly. If hardware is being donated, is it so old or unusual that it cannot be repaired? If you put your records on this equipment and it fails, you might lose your ability to function and not be able to recover easily. You may suddenly be forced to purchase expensive equipment to replace your donated computer.

Is the equipment so old that it cannot run the software you have chosen? Many older computers are not capable of running current versions of software and cannot be upgraded easily.

Software donations need to be considered from a legal standpoint. Most computer software has one of three types of legal control: licensed, shareware, or free or open source.

If the software is licensed, the purchaser buys the rights to use the software, not title to the software itself. Each licence stipulates conditions under which the software may be used. Usually the use of software is restricted to a single computer, and it cannot be copied. If anyone offers you a copy of their software, do not accept. Most software licences list the conditions under which software can be transferred from one person to another. Usually such a transfer requires the transferor to give the transferee the original disks and all of the manuals. If you receive software that includes the installation disks and the licence, many software companies will allow you to accept the software *provided it has been uninstalled or removed from the donor's computer*.

Some software manufacturers have programs that allow people to donate old versions of software to non-profit institutions. You can enquire whether your software has been

donated under these terms.

Older versions of software should be considered on their own merits. If the software provides functions that are useful to you and compatible with your equipment, accept it even if it is old. It is not always necessary to have the latest and greatest software.

6.6.2 Purchasing Equipment

Ensure that you follow your congregation's approval process in choosing and buying hardware and software. The process varies from church to church, but it should include a plan for using the equipment.

Before you buy computer hardware, it is wise to do some research and check any consumer reports. This is especially true if the equipment you are considering is not a name brand.

For eligible congregations, limited financial support is available in the form of Technology Support Grants. For further information, see www.united-church.ca/leadership/church-administration/technology-support-grants-pastoral-charges-and-community-ministries.

Churches are also eligible for free software or discounts available to non-profit organizations. We highly recommend TechSoup: www.techsoupcanada.ca.

Choosing Hardware and Software

Keep these steps in mind when considering hardware and software:

1. Identify the functions you want to automate with the use of a computer.
2. Investigate software that fulfills the identified needs (this step might include input from other pastoral charges and from volunteers).
3. Check the United Church website (use the search function).
4. Choose the software.
5. Choose an operating system based on your software choices.
6. Compile a list of hardware required by the software.
7. Investigate and approve a hardware vendor and a service vendor.
8. Investigate and estimate costs of hardware options.
9. Obtain a fixed quote for the hardware and software being purchased, including competitive quotes if possible.
10. Obtain approval for the purchases.
11. Make your purchases.

In most cases, packaged software will fulfill your requirements. Over 90 percent of congregations should stick with a simple standard software package. It is not only simpler to operate but also makes things easier when new treasurers come on board.

In rare instances, you may decide you have special needs that require a customized solution, or you may have the skills needed in your congregation to customize software or build simple database applications. (These days, most teenagers can do this!) Before proceeding, carefully consider the implications of developing customized software applications.

Advantages of Custom-Developed Software	Disadvantages of Custom-Developed Software
<ul style="list-style-type: none"> • You can specify exactly what the software will do. You may not be able to get exactly what you want in purchased software. • You may be able to interrelate data in ways not possible with several software packages. • You may be able to design reports and screen displays to look exactly as you want. • It may be cheaper to buy a single piece of software and then develop the application. • You may find open source solutions that already fill a number of your needs that require less adaptation. 	<ul style="list-style-type: none"> • You must document the application carefully so you (or others) can continue to use it or modify it in the future. • Developing your own application may require more skill and experience than you expect. • You have to consider any legislative requirements, such as employment or tax law, that must be incorporated into the application and may change in the future. • You have to consider the congregation's ability to maintain the application in the future—make sure there is sufficient expertise to run it or update it for the future. • A very long time commitment may be required to develop a custom application. Permanent technical support may be required so you will be able to continue to use it.

Should you lease your equipment? Almost always—NO. Leasing should only be considered if you need the very latest equipment all of the time. For most situations, you can expect your purchased equipment to last at least three or four years.

6.6.3 Who Can Use the Computer?

The treasurer has a fiduciary responsibility to the congregation, and a computer often supports carrying out that responsibility.

Volunteers and staff should work with the equipment in a responsible way. If they do not know how to run the computer, they should not attempt to do so until properly trained. Make sure people working with the computer have sufficient expertise so valuable software and data is not lost or damaged.

Some of the purposes suggested for a computer in a church relate to use by people other than the treasurer. Where funds are limited and the treasurer's use of the computer is

less than full-time, the computer may be used for a wide variety of purposes. However, in any pastoral charge, ensure that adequate time is allocated for the important job of recordkeeping.

6.6.4 Maintenance

Regularly scan your computer for viruses using up-to-date antivirus software. This is particularly important if you are browsing the Internet, receiving e-mails with attachments, or using storage devices that have been used on other computers.

Finally, to optimize hard disk usage and improve performance, consider a monthly task of erasing files that are no longer needed. This should include deleting cookies, temporary Internet files, and history in your browser software.

6.6.5 E-Mail and Internet

The ability to send and receive e-mail and to access information over the Internet has become the standard way to do business.

With Internet service, you can also access church-related websites, such as www.united-church.ca. Some service providers will help you establish a congregational or pastoral charge website.

Young volunteers can help you establish yourself electronically.

6.7 Record Retention

As a general rule, all records must be retained in case the charity is ever audited by the CRA. All books, records, and related vouchers should be retained for six calendar years after the year in which the record was originated. This is a requirement of the Income Tax Act.

Retaining offering envelopes in the same manner has been reinstated as a requirement. Effective as of 2016 and including church offering envelopes for the 2015 tax year, the Charities Directorate has updated its position on the retention period for church offering envelopes. They must be kept for six years from the end of the tax year to which the envelope relates. This has changed from the previous period of two years to agree with the requirements of Income Tax Act Regulation 5800.

According to Income Tax Act Regulation 5800, duplicate donation receipts issued by a registered charity must be kept for only two years from the end of the calendar year in which the receipts are issued. However, receipts for donations of property to be held for a period of not less than 10 years are to be retained indefinitely. (A gift to set up a trust fund is an example of a donation of property that may need to be held for not less than 10 years.)

The following records must be kept as long as the charity remains registered and for two years after the registration is revoked:

- all records of any donations received that are subject to a direction by the donor that the property given be held by the charity for a period of not less than 10 years
- minutes of meetings of the executive
- minutes of meetings of the members
- all governing documents and bylaws
- the general ledger
- other records and books of account

Keep retired policies, such as insurance policies, permanently.

No books or records should be destroyed before the expiration of the retention period without written permission from the Minister of National Revenue. Permission is obtained by applying to the Director, Taxation, of your local District Taxation Office. The same clearance should be obtained from the provincial taxation authority.

Books and records may be destroyed earlier than outlined above if the Minister of National Revenue gives written permission for their disposal. You will need to provide the following to obtain record retention exemptions:

- clear identification of books, records, or other documents to be destroyed
- taxation years for which the request applies
- details of any special circumstances that would justify destroying the books and records at an earlier time than normally permitted
- any other pertinent information

Permission will not likely be granted to destroy permanent records such as minutes, bylaws, and general ledgers. We suggest you consult the presbytery or Conference archivist about the care and storage of these records.

For more information, see CRA Information Circular 78-10R4, *Books and Records Retention/Destruction*.

6.7.1 Record Retention Checklist

While you should consult the Income Tax Act, this checklist gives the general requirements for retaining certain types of records for registered charities (incorporated and not).

- ❑ **Copies of official donation receipts** (other than for 10-year gifts): Must be kept for a minimum of two years from the end of the calendar year in which the donations were made.
- ❑ **All records concerning 10-year gifts** kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked.
- ❑ **Minutes of meetings of the directors/trustees/executives** kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked or, in the case of a corporation, for two years after the day the corporation is dissolved.
- ❑ **Minutes of meetings of the members** kept for as long as the charity is registered and for a minimum of two years after the date the registration of the charity is revoked.
- ❑ **All governing documents and bylaws** kept for as long as the charity is registered and for two years after the date the registration of the charity is revoked.
- ❑ **General ledgers or other books of final entry containing summaries of year-to-year transactions and the vouchers and accounts necessary to verify the entries** kept for six years from the end of the last tax year to which they relate, for as long as the charity is registered, and for two years after the date the registration of a charity is revoked or, in the case of a corporation, for two years after the day the corporation is dissolved.
- ❑ **Financial statements, source documents, and copies of T3010 returns** kept for six years from the end of the last tax year to which they relate or, if the charity is revoked, for two years after the date of revocation. *Source documents may include items such as invoices, vouchers, formal contracts, work orders, delivery slips, purchase orders, or bank deposit slips.*

The charity should keep all its key documents (constitution, bylaws, registration letter, etc.) along with its books and records in one area for easy access. This will make it easier for the charity in the case of an audit or when there is a change to the governing board.

Copies of key documents and records should also be kept in a separate location (preferably offsite) for backup purposes.

Canada Revenue Agency, "Keeping Adequate Books and Records," accessed December 2016 from www.cra-arc.gc.ca/chrts-gvng/chrts/chcklsts/bks-eng.html.

6.7.2 Management Checklist

Many treasurers find it useful to have a “management checklist” for key church business tasks. This can serve not only as a personal reminder for the treasurer but also as a way to keep the entire board up to date.

Annual Management Checklist

Compliance

- Registered Charity Information Return (T3010) filed
Date: _____
- HST/GST rebate application
Date: _____
Amount \$ _____
- Employee tax reporting (due February 28)
 - T4 mailed Date: _____
 - T4 Summary mailed Date: _____
- Annual Statistical Report submitted
Date: _____

Good Governance

- Financial statement independently reviewed
 - Full audit
 - Detailed review
 - Spot check only
- Insurance coverage maintained
 - Reviewed coverage
 - Paid renewal premium
- Board members briefed
 - Internal controls
 - Guidelines applicable to any restricted funds
 - Any certifications made by treasurer
 - Clergy residence deduction
 - T2200
 - Staff payroll arrangements
 - Other

7. Asset Management: Property

7.1 Church Property

In most cases, the largest and most valuable property a church owns is the church building, which is central to the mission of the church. There may also be a manse, an education building, or a youth centre. There is also property such as office equipment, audiovisual equipment, furniture, and kitchen equipment.

All of this property should be listed and reviewed annually.

- Make sure you have photographs of rare or valuable items, such as stained-glass windows.
- Note any changes to property, such as purchases or dispositions.
- Keep records of serial numbers and detailed descriptions up to date.

In compiling the list of property, you might set a minimum amount for items to be included. For example, you may decide to list only property that has a value of at least \$100. You don't need to count pencils and coffee mugs!

Keeping an inventory like this reduces the possibility of physical assets disappearing without being noticed. Such a list is also valuable in the event of fire or theft, and it's a good idea to keep a copy of it offsite as a backup.

Review your insurance coverage annually to ensure the church has adequate coverage. This can make the difference between a crisis that is manageable and one that is devastating. In determining the level of insurance to get, assess the cost that would be required to replace your existing structures.

7.1.1 Liability Insurance

As more people turn to litigation as a way of resolving disputes and seeking restitution, churches are increasingly vulnerable to lawsuits. Choose liability coverage with this vulnerability in mind.

Church insurance should include broad liability coverage including the risk of sexual misconduct. Liability insurance should include coverage for good-faith actions of volunteers as well as employees, because members of the church's decision-making boards (trustees, boards or councils, personnel committees) are likely to be among the targets if a church is sued.

7.1.2 Use of the Church Building by Other Organizations

Churches often ask about the insurance implications of allowing other groups or organizations (Scouts, 12-step programs, daycare centres, exercise groups, etc.) to use their facilities.

It is wise to require users to provide evidence that they have their own liability insurance, with your church as the named insured. Also check with your insurance carrier to determine the level of risk posed by the groups using your property. Since community outreach is so integral to our mission, we try to have a broad definition of “regular church activity” that doesn’t necessitate separate insurance. However, any tenant or regular outside user should be required to have their own insurance and to provide proof of same, with the congregation named as an additional insured.

7.1.3 Preventing Arson in Churches and Places of Worship

Arson is the leading cause of fire in churches and related properties, accounting for more than one of every four reported church property fires.

Churches are particularly vulnerable to arson or other criminal activity when they

- are located in isolated or rural areas, or in recognized “high criminal risk” inner-city areas
- are left unattended for extended periods of time
- have unsecured doors or windows, inviting forced entry by intruders
- do not have adequate burglar alarm systems, thereby giving criminals extra time to perform criminal activity
- have heavy shrubs and outside vegetation or insufficient perimeter lighting, which helps to screen criminal activity

There is no “typical” church arsonist. Church fires can be set for such diverse reasons as juvenile vandalism, to conceal burglaries, to retaliate for conflicts with individuals or society in general, or as a result of substance abuse.

Have someone who is responsible for security make frequent visits to the property, both inside and outside. Ensure that vestries, towers, and odd corners are not used to store books, carpets, or other items that are invitations to start a fire.

7.2 Have Adequate Insurance

One of the most important responsibilities of the board of trustees is to ensure that the congregation carries adequate property and liability insurance at all times. The courts have held that trustees have a fiduciary duty to do this.

You need a number of kinds of insurance, including

- Property Insurance

- Comprehensive General Liability Insurance
- Crime Insurance
- Boiler and Machinery Insurance
- Directors' and Officers' (D&O) Liability Insurance

Refer to the *Trustees Handbook with Concordance* for more information: www.united-church.ca/handbooks.

7.2.1 UCC Protect: General Insurance Plan for Congregations

UCC Protect (formerly The General Insurance Plan of The United Church of Canada) is the only insurance program endorsed by the Financial Services Unit and overseen by the Risk Manager. HUB International Limited is the Broker of Record of UCC Protect, underwritten by Royal Sun Alliance Insurance Company of Canada (RSA). (RSA replaces Aviva.)

HUB is one of the largest brokerages in Canada. The company provides a broad array of property and casualty, life and health, employee benefits, reinsurance, investment, and risk management products and services.

UCC Protect offers the following insurance policy coverages: Property, Liability, Directors' and Officers' Liability, Crime, and Boiler and Machinery, as chosen by each congregation. The plan has been designed to respond to the needs of each congregation and address the unique exposures faced by the church. It is also available to incorporated ministries, such as camps, seniors' homes, and education centres.

The plan reflects the principle of insurance, which is to spread the financial impact of losses incurred by the few among the total premium collected from the many. One of the many advantages is "Group Rating." Rating is based on the overall performance of the program. Individual members of the plan are generally not penalized for claims submitted by them.

UCC Protect offers premium savings. Because of the large number of participants in the program, the plan enjoys the benefits of volume discounts and group buying power: www.united-church.ca/leadership/church-administration/ucc-protect.

Coverage Highlights

Property and Business Interruption

All risks of direct loss or damage coverage, provided for property of every description (POED) (subject to the exclusions). Replacement cost and no co-insurance penalty provisions provided. Discounts are given for having installed burglar and/or fire alarms (monitored or local), for sprinklered buildings, and for recent building appraisals. These discounts can add up to a 50 percent credit.

Equipment Breakdown

Provides coverage for sudden and accidental breakdown of all boilers, pressure vessels, and mechanical and electrical machinery, such as air conditioning units, heat pumps, and wiring.

Crime

Includes employee dishonesty, loss of money, money order and counterfeit currency, incoming cheque, and credit card forgery.

Commercial General Liability (CGL)

Provides coverage for bodily injury, personal injury, property damage, advertising, and tenant's legal liability. Abuse, harassment, and counselling coverage are also included.

Umbrella Liability

Provides increased liability limits above the Commercial General Liability.

Contact Information

If your insurance is currently being arranged through and handled by your local congregational insurance broker, HUB International Limited will continue to honour that relationship and work with your local insurance broker.

UCC Protect Service Team
Telephone: 416-597-3400
Toll-free: 1-888-550-5458
Toll-free fax: 1-866-421-1962
E-mail: ucc.hkmb@hubinternational.com

Hub International Limited
595 Bay St., Suite 900, Box 81
Toronto, ON M5G 2E3
E-mail: ucc.hkmb@hubinternational.com

Incident Report/Claims Handling

Report all claims or any incident that might later give rise to a claim to

Teisha Thompson, Claims Representative
Telephone: 416-597-4608
Fax: 416-597-6811
E-mail: teisha.thompson@hubinternational.com

7.2.2 Umbrella Directors' and Officers' Coverage for All Congregations

The General Council Office has purchased this specialty coverage to support all congregations. It relates to any claims arising from actions or decisions taken as directors or officers of the organization, including wrongful dismissal, defamation, and so on.

Purchasing this coverage for everyone is much cheaper overall and ensures that all congregations are covered. A copy of the annual insurance certificate can be requested from the General Council Office, or see www.united-church.ca/leadership/church-administration/ucc-protect-directors-and-officers-liability-insurance.

7.3 Investments

The task of investing is assigned to the board of trustees in congregations that are fortunate to have funds to invest. The board of trustees is subject to provincial or territorial legislation governing trustees. More information is available in the *Trustees Handbook with Concordance*: www.united-church.ca/handbooks.

Every congregation should have an investment policy. In developing the policy, address the issues of how much return on investment you want and how much risk you are willing to take. You may wish to obtain legal advice before approving the policy to ensure it complies with the trust legislation of your province or territory. The best practice is to learn from others—find an existing policy from another congregation and adapt it as needed. The national treasury fund investment policy offers a very detailed example: www.united-church.ca/leadership/church-administration/investment-policy.

Increasingly, congregations with limited access to investment expertise or wishing to have a low-cost alternative are investing their funds with The United Church of Canada Foundation. This provides access to investment managers; otherwise, these are available only to the very wealthy.

Other points to consider for your investment policy:

- amount of income needed from the fund
- level of acceptable risk
- mix of different types of assets and how the assets will be held
- criteria for evaluating investments
- roles and responsibilities of those responsible for the assets
- rules for dealing with conflicts of interest
- process for regularly reviewing the investment performance and also the policies and objectives

7.3.1 Ethical Investing

Churches and church-related bodies are constantly faced with these questions:

- How should congregations order their financial activities?
- How should they invest their endowment funds?
- Where should they bank?
- How can they respond to community initiatives that require financial credit or investment?

- When faced with such choices, how do congregations ensure they act in a manner consistent with their faith?

A good but somewhat outdated resource is *Mission and Investing: A Guide for United Church of Canada Congregations and Organizations* (2002; out of print). It addresses legal and practical questions and provides information to help congregations and church-related organizations make investment decisions that are ethical, responsible, and a sign of our commitment to the mission of God in the world. See www.united-church.ca/leadership/church-administration/about-responsible-investment (bottom of page).

More current responsible investment information is available at www.united-church.ca/leadership/church-administration/responsible-investment.

8. Maintaining Charitable Status

There are a lot of changes with the Canada Revenue Agency (CRA). The CRA has made major improvements to their website and made information much easier to access:

www.cra-arc.gc.ca/chrts-gvng/chrts/menu-eng.html

8.1 File a T3010 Registered Charity Information Return

The T3010 form has been revised (see the sample form on pages 119–128). You can print out the form from the CRA website: www.cra-arc.gc.ca/formspubs/prioryear/t3010/README.html. The design of the form is improved, with an approach similar to that used on individual tax returns. Now, if you answer certain questions “yes,” you will need to complete a detailed schedule. If “no,” you skip the detailed schedule entirely.

For assistance with completing this form, see <https://vimeo.com/album/1517634> for a United Church how-to webinar.

The form design reflects increased CRA concern and scrutiny around the use of external fundraisers and monies sent abroad.

For a brief explanation of how to limit political activity, see section 8.8. For a full policy statement on political activities, see CPS-022 at www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html.

Each year, following the annual meeting of the pastoral charge, a copy of the approved annual financial statements and a completed form T3010 must be forwarded to the Charities Directorate, Canada Revenue Agency. Completing the T3010 usually falls to the treasurer, but the pastoral charge board/council is responsible for making sure the form has been properly filed and received. When a charity files a T3010, the Charities Directorate sends a Notice of Confirmation to acknowledge that it has received and processed the charity’s return.

When an organization fails to file a T3010 annual return, the CRA will send warning letters and then revoke charitable status.

Registered charities are required to **file the T3010 no later than six months after the charity’s fiscal year-end**. A pastoral charge will be charged a penalty or lose its charitable registration for failing to file this annual information return.

Registered charities are required to keep adequate books and records so the CRA can verify official donation receipts issued, as well as income received and expenses paid.

Information returns submitted by charities are now available online, except for any sections designated confidential.

The board of directors of a charity is advised to ensure the accuracy of reporting when completing the T3010 return and to verify the records online to ensure the information available to the public is correct.

8.1.1 Items to Note on the T3010 Return

We offer a recorded webinar on this topic. See <https://vimeo.com/album/1517634>.

- Answer every question that applies to the church. If a question does not apply to the church, leave it blank, except for yes/no questions.
- Mail the return with all the required attachments. Keep a copy for the church's records. This copy should be filed in the church office.
- Words in bold type on the T3010 are explained further in the guide that comes with the return.
- Sections A–J are open to review by the public.

Section A: Identification

- **A1** Check “Yes” since, under revised CRA definitions, a church may have its own governing documents but still answers to *The Manual*. Input: “The United Church of Canada.” The BN/registration number is 108102435RR0003.
- **A2** Check “No” unless this is a final return for a closed or amalgamated charitable number.
- **A3** Check “No.”

Section B: Directors/trustees and like officials

- **B1** A list of directors/trustees must be attached, including each last name, first name and initial, date of birth, home address, telephone number, position in the registered charity, and whether the individual is at arm's length from all other members of the governing body. In a church, this means both trustees and board members. Only each person's name, position, and arm's-length status are made public. All other information is kept confidential.
- The Privacy Act protects the personal information provided in the return, and the information is kept in a personal information bank. The personal information will be used by the CRA to administer and enforce the Income Tax Act. The charity should verify with each director the personal information reported on the return and advise each director of the above information.

Section C: Programs and general information

- **C1** Check “Yes.”
- **C2 Programs** Use active verbs such as “do,” “provide,” “operate,” “perform,” “educate,” “feed,” “give,” “conduct,” and “ministers” to describe what you do. For example: “Ministers to the sick and elderly, runs a food bank, operates a clothing depot, educates lay leaders, provides pastoral care with community, donates funds to Mission & Service.”
- **C3** In most cases, check “Yes” and fill in the Qualified Donees Worksheet. United Church of Canada—Mission & Service is a qualified donee. State the amount of Mission & Service donations. The BN/registration number for Mission & Service is 108102435RR0003. List all donees from the largest to the smallest.
- **C4** Most congregations will check “No.” If “Yes,” you’ll need to complete a detailed Schedule 2.

Section E: Certification

- **E1** Only one signature is required on the form. The person who signs the T3010 is certifying the information. We recommend the board of directors review the return or at least be aware it has been completed before it is sent to the CRA.

Schedule 6: Detailed Financial Information

- This schedule must be completed if *charity* income is greater than \$100,000 or if the charity has over \$25,000 in investments. In the case of multi-point charges, watch out for this.
- Schedule 6 is the last three pages of the form. Pay special attention to the breakdown of expenses requested on page 9. It is very important that lines 5000 to 5100 be completed with a full understanding of how church expenses are categorized.
- Line 5000 should be a relatively high percentage of total spending—in some churches as high as 100 percent. It is generally accepted that 100 percent of minister compensation costs and as much as 100 percent of church building costs are devoted to charitable programs. If there are many building rentals to outside parties, a portion of building costs would be categorized as administration.
- Line 5010 should include any audit fees, bank charges, bookkeeping costs, and so on. A church secretary has an important role in pastoral care and worship preparation, so a high percentage of that role should be allocated to line 5000. A portion of building costs might be allocated to administration—for example, extra cleaning costs for tenants.

- Line 5020 should typically include any fundraising consultant costs (already described in Schedule 4), plus a small portion of your mailing budget, promotional material for special events, and so on.
- Line 5030 Political Activity now has its own exhibit and more detailed schedule. Most churches do not have political activity, but if your congregation is involved in letter-writing campaigns or public advocacy, be sure to review CRA educational materials on this topic

If in doubt, the CRA provides guidance on this subject, but feel free to contact the Mission through Finance staff at the General Council Office first.

Canada Revenue Agency
 Agence du revenu du Canada

Place bar code label here

Registered Charity Information Return

Protected B when completed

Section A: Identification

- To help you fill out this form, refer to Guide T4033 (16), *Completing the Registered Charity Information Return*. It can be found at www.cra.gc.ca/E/pub/tg/14033/.
- The *Privacy Act* protects all personal information given on this form, which is kept in personal information bank CRA PPU 200. The Canada Revenue Agency (CRA) will make this form and all attachments available to the public on the Charities Directorate website, except for information or data identified as confidential. All of the information collected on this form may be shared as permitted by law (for example, with certain other government departments and agencies).

Note: Even if a charity is inactive, an information return must be filed to maintain its registered status.

If you did not receive a barcode label to attach to the return, complete the following:

1. Charity name:

2. Return for fiscal period ending:

Year	Month	Day

3. BN/registration number:

R R

4. Web address (if applicable):

A1 Was the charity in a subordinate position to a parent organization? **1510** Yes No

If yes, give the name and BN/registration number of the organization.

Name:	BN (if applicable)

A2 Has the charity wound-up, dissolved, or terminated operations? **1570** Yes No

A3 Is your charity designated as a public foundation or private foundation? **1600** Yes No

If yes, you must complete Schedule 1, *Foundations*. Refer to Form TF725, *Registered Charity Basic Information Sheet*, to confirm the designation. (Form TF725 is part of the return.)

Section B: Directors/trustees and like officials

B1 All charities must complete Form T1235, *Directors/Trustees and Like Officials Worksheet*. Only the **public** information section of the worksheet is available to the public. Charities subject to the Ontario *Corporations Act* must also complete Form RC232-WS, *Director/Officer Worksheet and Ontario Corporations Information Act Annual Return*.

Section C: Programs and general information

C1 Was the charity active during the fiscal period? **1800** Yes No

If no, explain why in the "Ongoing programs" space below at C2.

C2 In the space below, describe all **ongoing** and **new** charitable programs the charity carried on this fiscal period to further its purpose(s) (as defined in its governing documents). "Programs" includes all of the charitable activities that the charity carries out on its own through employees or volunteers as well as through qualified donees and intermediaries. The charity may also use this space to describe the contributions of its volunteers in carrying out its activities, for example, number of volunteers and/or hours. **Do not** include the names of employees or volunteers. Grant-making charities should describe the types of organizations they support. **Do not** describe fundraising activities in this space.

Do not attach additional sheets of paper or annual reports.

Ongoing programs:
New programs:

T3010 E (16)

(Ce formulaire existe en français.)

8. MAINTAINING CHARITABLE STATUS

Registered charities may make gifts to qualified donees. Qualified donees are other registered Canadian charities, as well as certain other organizations described in the *Income Tax Act*.

C3 Did the charity make gifts or transfer funds to qualified donees or other organizations? **2000** Yes No
 If **yes**, you must complete Form T1236, *Qualified Donees Worksheet/Amounts Provided to Other Organizations*.

C4 Did the charity carry on, fund, or provide any resources through employees, volunteers, agents, joint ventures, contractors, or any other individuals, intermediaries, entities, or means (other than qualified donees) for any activity/program/project outside Canada? **2100** Yes No
 If **yes**, you must complete Schedule 2, *Activities Outside Canada*.

C5 Political Activities

A registered charity may pursue political activities only if the activities are non-partisan, related to its charitable purposes, and limited in extent. A political activity is any activity that explicitly communicates to the public that a law, policy or decision of any level of government inside or outside Canada should be retained, opposed, or changed.

(a) Did the charity carry on any political activities during the fiscal period, including making gifts to qualified donees that were intended for political activities? **2400** Yes No
 If **yes**, you must complete Schedule 7, *Political Activities*.

(b) Total amount spent by the charity on these political activities **5030** \$

(c) Of the amount at line 5030, the total amount of gifts made to qualified donees, **5031** \$

(d) Total amount received from outside Canada that was directed to be spent on political activities **5032** \$
 If you entered an amount on line 5032 you must complete Schedule 7, *Political Activities*, Table 3.

C6 If the charity carried on fundraising activities or engaged third parties to carry on fundraising activities on its behalf, tick all fundraising methods that it used during the fiscal period:

- | | | |
|--|--|---|
| 2500 <input type="checkbox"/> Advertisements/print/radio/TV commercials | 2570 <input type="checkbox"/> Sales | 2620 <input type="checkbox"/> Telephone/TV solicitations |
| 2510 <input type="checkbox"/> Auctions | 2575 <input type="checkbox"/> Internet | 2630 <input type="checkbox"/> Tournament/sporting events |
| 2530 <input type="checkbox"/> Collection plate/boxes | 2580 <input type="checkbox"/> Mail campaigns | 2640 <input type="checkbox"/> Cause-related marketing |
| 2540 <input type="checkbox"/> Door-to-door solicitation | 2590 <input type="checkbox"/> Planned-giving programs | 2650 <input type="checkbox"/> Other |
| 2550 <input type="checkbox"/> Draws/lotteries | 2600 <input type="checkbox"/> Targeted corporate donations/sponsorships | 2660 Specify: _____ |
| 2560 <input type="checkbox"/> Fundraising dinners/galas/concerts | 2610 <input type="checkbox"/> Targeted contacts | |

C7 Did the charity pay external fundraisers? **2700** Yes No
 If **yes**, you must complete the following lines, and complete Schedule 4, *Confidential Data*, Table 1.

(a) Enter the gross revenue collected by the fundraisers on behalf of the charity **5450** \$

(b) Enter the amounts paid to and/or retained by the fundraisers **5460** \$

(c) Tick the method of payment to the fundraiser:

- | | | |
|--|---|--|
| 2730 <input type="checkbox"/> Commissions | 2750 <input type="checkbox"/> Finder's fee | 2770 <input type="checkbox"/> Honoraria |
| 2740 <input type="checkbox"/> Bonuses | 2760 <input type="checkbox"/> Set fee for services | 2780 <input type="checkbox"/> Other |
| | 2790 Specify: _____ | |

(d) Did the fundraiser issue tax receipts on behalf of the charity? **2800** Yes No

C8 Did the charity compensate any of its directors/trustees or like officials or persons not at arm's length from the charity for services provided during the fiscal period (other than reimbursement for expenses)? **3200** Yes No

C9 Did the charity incur any expenses for compensation of employees during the fiscal period? **3400** Yes No
 If **yes**, you must complete Schedule 3, *Compensation*.

C10 Did the charity receive any donations or gifts of any kind valued at \$10,000 or more from any donor that was **not** resident in Canada and was **not** any of the following? **3900** Yes No

- a Canadian citizen, nor
- employed in Canada, nor
- carrying on a business in Canada, nor
- a person having disposed of taxable Canadian property?

If **yes**, you must complete Schedule 4, *Confidential Data*, Table 2, for each donation of \$10,000 or more.

- C11** Did the charity receive any gifts in kind (non-cash gifts) for which it issued tax receipts? **4000** Yes No
 If yes, you must complete Schedule 5, *Gifts in kind*.
- C12** Did the charity acquire a non-qualifying security? **5800** Yes No
- C13** Did the charity allow any of its donors to use any of its property? (except for permissible uses) **5810** Yes No
- C14** Did the charity issue any of its tax receipts for donations on behalf of another organization? **5820** Yes No
- C15** Did the charity have direct partnership holdings at any time during the fiscal period? **5830** Yes No

Section D: Financial information

Fill out either Section D or Schedule 6, *Detailed financial information*.

Skip this section if any of the following applies to the charity:
 (a) The charity's revenue exceeds \$100,000.
 (b) The amount of all property (for example, investments, rental properties) not used in charitable activities is more than \$25,000.
 (c) The charity has permission to accumulate funds during this fiscal period.

Show all amounts to the nearest single Canadian dollar. Do not enter "See attached financial statements." All relevant fields must be filled out.

D1 Was the financial information reported below prepared on an accrual or cash basis? **4020** Accrual Cash

D2 Summary of financial position:

Using the charity's own financial statements, enter the following:

Did the charity own land and/or buildings? **4050** Yes No

Total assets (including land and buildings) **4200** \$ _____

Total liabilities **4350** \$ _____

Did the charity borrow from, loan to, or invest assets with any non-arm's length persons? **4400** Yes No

D3 Revenue:

Did the charity issue tax receipts for gifts? **4490** Yes No

If yes, enter the total eligible amount of all gifts for which the charity issued tax receipts **4500** \$ _____

Total amount of 10 year gifts received **4505** \$ _____

Total amount received from other registered charities **4510** \$ _____

Total other gifts received for which a tax receipt was **not** issued by the charity (excluding amounts at lines 4575 and 4630) **4530** \$ _____

Did the charity receive any revenue from any level of government in Canada? **4565** Yes No

If yes, total amount received **4570** \$ _____

Total tax-receipted revenue from all sources outside of Canada (government and non-government) **4571** \$ _____

Total **non** tax-receipted revenue from all sources outside of Canada (government and non-government) **4575** \$ _____

Total **non** tax-receipted revenue from fundraising **4630** \$ _____

Total revenue from sale of goods and services (except to any level of government in Canada) **4640** \$ _____

Other revenue not already included in the amounts above **4650** \$ _____

Total revenue (add lines 4500, 4510 to 4570, and 4575 to 4650) **4700** \$ _____

D4 Expenditures:

Professional and consulting fees **4860** \$ _____

Travel and vehicle expenses **4810** \$ _____

All other expenditures not already included in the amounts above (excluding gifts to qualified donees) **4920** \$ _____

Total expenditures (excluding gifts to qualified donees) (add lines 4860, 4810, and 4920) **4950** \$ _____

Of the amount at line 4950:

(a) Total expenditures on charitable activities **5000** \$ _____

(b) Total expenditures on management and administration **5010** \$ _____

Total amount of gifts made to all qualified donees **5050** \$ _____

Total expenditures (add lines 4950 and 5050) **5100** \$ _____

8. MAINTAINING CHARITABLE STATUS

Section E: Certification

This return must be signed by a person who has authority to sign on behalf of the charity. It is a serious offence under the *Income Tax Act* to provide false or deceptive information.

I certify that the information given on this form, the basic information sheet, and any attachment is, to the best of my knowledge, correct, complete, and current.

Name (print):		Signature:
Position in charity:	Date:	Telephone number:

Section F: Confidential data

F1 Enter the physical address of the charity and the address in Canada for the charity's books and records. Post office box numbers and rural routes are not sufficient.

	Physical address of the charity	Address for the charity's books and records
Complete street address		
City		
Province or territory and postal code		

F2 Name and address of individual who completed this return.

Name:	
Company name (if applicable):	
Complete street address:	
City, province or territory, and postal code:	
Telephone number:	Is this the same individual who certified in Section E? <input type="checkbox"/> Yes <input type="checkbox"/> No

Checklist

A charity's complete annual information return includes:

- Form T3010, *Registered Charity Information Return*, and all applicable schedules;
- Form TF725, *Registered Charity Basic Information Sheet*;
- a copy of the charity's financial statements;
- Form T1235, *Directors/Trustees and Like Officials Worksheet*;
- Form RC232-W/S, *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* (if applicable); and
- Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* (if applicable).

If financial statements are not included, your charity's registration may be revoked.

Foundations **Schedule 1**

1 Did the foundation acquire control of a corporation? **100** Yes No

2 Did the foundation incur any debts other than for current operating expenses, purchasing or selling investments, or in administering charitable activities? **110** Yes No

For private foundations only:

3 Did the foundation hold any shares, rights to acquire shares, or debts owing to it that meet the definition of a non-qualified investment? **120** Yes No

4 Did the foundation own more than 2% of any class of shares of a corporation at any time during the fiscal period? **130** Yes No
 If yes, you must complete and attach Form T2081, *Excess Corporate Holdings Worksheet*.

Activities outside Canada **Schedule 2**

For more information about carrying on activities outside of Canada, go to www.cra.gc.ca/chrts-gvng/chrts/plcy/cgd/tsd-cnd-eng.html.

1 Total expenditures on activities/programs/projects carried on outside Canada, excluding gifts to qualified donees **200** \$ _____

2 Were any of the charity's financial resources spent on programs outside of Canada under any kind of an arrangement including a contract, agency agreement, or joint venture to any other individual or organization (excluding gifts to qualified donees)? **210** Yes No

If yes, enter the amounts of the total reported on line 200 transferred to these individuals/organizations as required in the following table:

Name of individual/organization	Using the country codes at the end of Schedule 2, enter the code where the activities were carried out.	Amount (\$) Show amounts to the nearest Canadian dollar

3 Using the list below, enter the country code where the charity itself carried on programs or devoted any of its resources.

4 Are any projects undertaken outside Canada funded by the Canadian International Development Agency (CIDA)? **220** Yes No

If yes, what was the total amount the charity spent under this arrangement? **230** \$ _____

5 Were any of the charity's activities outside of Canada carried out by employees of the charity? **240** Yes No

6 Were any of the charity's activities outside of Canada carried out by volunteers of the charity? **250** Yes No

7 Is the charity exporting goods as part of its charitable activities? **260** Yes No

If yes, list the items being exported, their value (in Canadian dollars), their destination and the country code.

Item	Value	Destination (city/region)	Country code

8. MAINTAINING CHARITABLE STATUS

Country codes

AF-Afghanistan	CU-Cuba	KP-North Korea	RO-Romania
AL-Albania	CY-Cyprus	KR-South Korea	RU-Russia
DZ-Algeria	DK-Denmark	KW-Kuwait	RW-Rwanda
AO-Angola	DO-Dominican Republic	KG-Kyrgyzstan	SA-Saudi Arabia
AR-Argentina	EC-Ecuador	LA-Laos	RS-Serbia
AM-Armenia	EG-Egypt	LB-Lebanon	SL-Sierra Leone
AZ-Azerbaijan	SV-El Salvador	LR-Liberia	SG-Singapore
BD-Bangladesh	ET-Ethiopia	MK-Macedonia	SO-Somalia
BY-Belarus	FR-France	MG-Madagascar	ES-Spain
BT-Bhutan	GA-Gabon	MY-Malaysia	LK-Sri Lanka
BO-Bolivia	GM-Gambia	ML-Mali	SD-Sudan
BA-Bosnia and Herzegovina	GE-Georgia	MU-Mauritius	SY-Syrian Arab Republic
BW-Botswana	DE-Germany	MX-Mexico	TJ-Tajikistan
BR-Brazil	GH-Ghana	MN-Mongolia	TZ-United Republic of Tanzania
BN-Brunei Darussalam	GT-Guatemala	ME-Montenegro	TH-Thailand
BG-Bulgaria	GY-Guyana	MZ-Mozambique	TL-Timor-Leste
BI-Burundi	HT-Haiti	MM-Myanmar (Burma)	TR-Turkey
KH-Cambodia	HN-Honduras	NA-Namibia	UG-Uganda
CM-Cameroon	IN-India	NL-Netherlands	UA-Ukraine
CF-Central African Republic	ID-Indonesia	NI-Nicaragua	GB-United Kingdom
TD-Chad	IR-Iran	NE-Niger	US-United States of America
CL-Chile	IQ-Iraq	NG-Nigeria	UY-Uruguay
CN-China	IL-Israel	OM-Oman	UZ-Uzbekistan
CO-Columbia	PS-Israeli Occupied Territories	PK-Pakistan	VE-Venezuela
KM-Comoros	IT-Italy	PA-Panama	VN-Vietnam
CD-Democratic Republic of Congo	JM-Jamaica	PE-Peru	YE-Yemen
CG-Republic of Congo	JP-Japan	PH-Philippines	ZM-Zambia
CR-Costa Rica	JO-Jordan	PL-Poland	ZW-Zimbabwe
CI-Côte d'Ivoire	KZ-Kazakhstan	QA-Qatar	
HR-Croatia	KE-Kenya	RE-Réunion	

Use the following codes for countries not listed above:

- QS-Other countries in Africa
- QR-Other countries in Asia and Oceania
- QM-Other countries in Central and South America
- QP-Other countries in Europe
- QO-Other countries in the Middle East
- QN-Other countries in North America

Compensation **Schedule 3**

1 (a) Enter the **number** of permanent, full-time, compensated positions in the fiscal period. This number should represent the number of positions the charity had including both managerial positions and others, and should not include independent contractors. **Do not** enter a dollar amount. 300

(b) For the **ten (10)** highest compensated, permanent, full-time positions enter the **number of positions** that are within each of the following annual compensation categories. **Do not** tick the boxes, use numbers.

305 <input type="checkbox"/> \$1 – \$39,999	310 <input type="checkbox"/> \$40,000 – \$79,999	315 <input type="checkbox"/> \$80,000 – \$119,999
320 <input type="checkbox"/> \$120,000 – \$159,999	325 <input type="checkbox"/> \$160,000 – \$199,999	330 <input type="checkbox"/> \$200,000 – \$249,999
335 <input type="checkbox"/> \$250,000 – \$299,999	340 <input type="checkbox"/> \$300,000 – \$349,999	345 <input type="checkbox"/> \$350,000 and over

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

(b) Total expenditure on compensation for part-time or part-year employees in the fiscal period. 380 \$

3 Total expenditure on all compensation in the fiscal period. 390 \$

Confidential data **Schedule 4**

The information in this schedule is for the CRA's use and may be shared as permitted by law (for example, with certain other government departments and agencies).

1. Information about fundraisers

Enter the name(s) and arm's length status of each external fundraiser.

Name	At arm's length? Yes/No

2. Information about donors not resident in Canada

Complete this schedule to report any gift of any kind valued at \$10,000 or more received from any donor that was **not** resident in Canada and was **not** any of the following:

- a Canadian citizen, nor
- employed in Canada, nor
- carrying on business in Canada, nor
- a person having disposed of taxable Canadian property.

Enter the name of each donor and the value of the gift in the chart below. Tick whether the donor was an organization (for example a business, corporate entity, charity, non-profit organization), a government or an individual.

Name	Value	Organization	Government	Individual
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Gifts in kind **Schedule 5**

1 Tick all types of gifts in kind received for which a tax receipt was issued:

500 <input type="checkbox"/> Artwork/wine/jewellery	525 <input type="checkbox"/> Ecological properties	550 <input type="checkbox"/> Publicly traded securities/ commodities/mutual funds
505 <input type="checkbox"/> Building materials	530 <input type="checkbox"/> Life insurance policies	555 <input type="checkbox"/> Books
510 <input type="checkbox"/> Clothing/furniture/food	535 <input type="checkbox"/> Medical equipment/supplies	560 <input type="checkbox"/> Other
515 <input type="checkbox"/> Vehicles	540 <input type="checkbox"/> Privately-held securities	565 Specify: _____
520 <input type="checkbox"/> Cultural properties	545 <input type="checkbox"/> Machinery/equipment/ computers/software	

2 Enter the total amount of tax-receipted gifts in kind. 580 \$

8. MAINTAINING CHARITABLE STATUS

Detailed financial information **Schedule 6**

Fill out this schedule if any of the following applies to the charity:
 (a) The charity's revenue exceeds \$100,000.
 (b) The amount of all property (for example, investments, rental properties) not used in charitable activities is more than \$25,000.
 (c) The charity has permission to accumulate funds during this fiscal period.

Was the financial information reported below prepared on an accrual or cash basis? 4020 Accrual Cash

Statement of financial position

Show all amounts to the nearest single Canadian dollar. Do not enter "see attached financial statements." All relevant fields must be filled out.

Assets:		Liabilities:	
Cash, bank accounts, and short-term investments	4100 \$	Accounts payable and accrued liabilities	4300 \$
Amounts receivable from non-arm's length persons	4110 \$	Deferred revenue	4310 \$
Amounts receivable from all others	4120 \$	Amounts owing to non-arm's length persons	4320 \$
Investments in non-arm's length persons	4130 \$	Other liabilities	4330 \$
Long-term investments	4140 \$	Total liabilities (add lines 4300 to 4330)	4350 \$
Inventories	4150 \$		
Land and buildings in Canada	4155 \$		
Other capital assets in Canada	4160 \$		
Capital assets outside Canada	4165 \$		
Accumulated amortization of capital assets	4166 \$		
Other assets	4170 \$	Amount included in lines 4150, 4155, 4160, 4165 and 4170 not used in charitable activities	4250 \$
10 year gifts	4180 \$		
Total assets (add lines 4100 to 4170)	4200 \$		

Statement of operations

Revenue:	
Total eligible amount of all gifts for which the charity issued tax receipts	4500 \$
Total eligible amount of tax-receipted tuition fees	5610 \$
Total amount of 10 year gifts received	4505 \$
Total amount received from other registered charities	4510 \$
Total other gifts received for which a tax receipt was not issued by the charity (excluding amounts at lines 4575 and 4630)	4530 \$
Total revenue received from federal government	4540 \$
Total revenue received from provincial/territorial governments	4550 \$
Total revenue received from municipal/regional governments	4560 \$
Total tax-receipted revenue from all sources outside of Canada (government and non-government)	4571 \$
Total non tax-receipted revenue from all sources outside Canada (government and non-government)	4575 \$
Total interest and investment income received or earned	4580 \$
Gross proceeds from disposition of assets	4590 \$
Net proceeds from disposition of assets (show a negative amount with brackets)	4600 \$
Gross income received from rental of land and/or buildings	4610 \$
Total non tax-receipted revenues received for memberships, dues and association fees	4620 \$
Total non tax-receipted revenue from fundraising	4630 \$
Total revenue from sale of goods and services (except to any level of government in Canada)	4640 \$
Other revenue not already included in the amounts above	4650 \$
Specify type(s) of revenue included in the amount reported at 4650	4655
Total revenue (add lines 4500, 4510 to 4560, 4575, 4580, and 4600 to 4650)	4700 \$

Expenditures:

Advertising and promotion	4800	\$	_____
Travel and vehicle expenses.....	4810	\$	_____
Interest and bank charges.....	4820	\$	_____
Licences, memberships, and dues.....	4830	\$	_____
Office supplies and expenses.....	4840	\$	_____
Occupancy costs	4850	\$	_____
Professional and consulting fees.....	4860	\$	_____
Education and training for staff and volunteers.....	4870	\$	_____
Total expenditure on all compensation (enter the amount reported at line 390 in Schedule 3, if applicable)	4880	\$	_____
Fair market value of all donated goods used in charitable activities	4890	\$	_____
Purchased supplies and assets	4891	\$	_____
Amortization of capitalized assets.....	4900	\$	_____
Research grants and scholarships as part of charitable activities	4910	\$	_____
All other expenditures not included in the amounts above (excluding gifts to qualified donees).....	4920	\$	_____
Specify type(s) of expenditures included in the amount reported at 4920	4930		_____
Total expenditures before gifts to qualified donees (add lines 4800 to 4920).....	4950	\$	_____

Of the amounts at lines 4950 and 5031 (reported at C5 Political Activities (c)):

(a) Total expenditures on charitable activities.....	5000	\$	_____
(b) Total expenditures on management and administration	5010	\$	_____
(c) Total expenditures on fundraising	5020	\$	_____
(d) Total expenditures on political activities, inside or outside Canada, from question C5 (b).....	5030	\$	_____
(e) Total other expenditures included in line 4950.....	5040	\$	_____
Total amount of gifts made to all qualified donees	5050	\$	_____
Total expenditures (add lines 4950 and 5050).....	5100	\$	_____

Other financial information

Permission to accumulate property:

Only registered charities that have written permission to accumulate should complete this section.

• Enter the amount accumulated for the fiscal period, including income earned on accumulated funds.....	5500	\$	_____
• Enter the amount disbursed for the fiscal period for the specified purpose.....	5510	\$	_____

Permission to reduce disbursement quota:

If the charity has received approval to make a reduction to its disbursement quota, enter the amount for the fiscal period	5750	\$	_____
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Property not used in charitable activities:

Enter the value of property not used for charitable activities or administration during:

• The 24 months before the beginning of the fiscal period	5900	\$	_____
• The 24 months before the end of the fiscal period	5910	\$	_____

8. MAINTAINING CHARITABLE STATUS

Political activities **Schedule 7**

A registered charity may pursue political activities only if the activities are non-partisan, related to its charitable purposes, and limited in extent. A political activity is any activity that explicitly communicates to the public that a law, policy or decision of any level of government inside or outside Canada should be retained, opposed, or changed.

1 Describe the charity's political activities, including gifts to qualified donees intended for political activities, and explain how these relate to its charitable purposes.

2 Identify the way the charity participated in or carried out political activities during the fiscal period.

		Resources used			
		Tick all the boxes that apply			
		Staff	Volunteers	Financial	Property
Media releases and advertisements	700	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conferences, workshops, speeches, or lectures	701	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Publications (printed or electronic)	702	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rallies, demonstrations, or public meetings	703	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Petitions, boycotts (calls to action)	704	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Letter writing campaign (printed or electronic)	705	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internet (website, social media (Twitter, YouTube))	706	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gifts to qualified donees for political activities	707	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify):	708	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Funding from outside of Canada for political activities

3 If the charity entered an amount on line 5032, complete the fields below. Enter the political activity that the funds were intended to support, the amount received from each country outside Canada, and the corresponding country code (using the codes provided in Schedule 2). For more information on how to complete this table, see Guide T4033 (15).

Political activity	Amount	Country Code

8.1.2 How to Amend the T3010 Return

If you need to make a change to the return *after* you have mailed it, complete and send form T1240 Registered Charity Adjustment Request. This form is available at www.cra-arc.gc.ca (see Forms and Publications) or by calling 1-800-267-2384.

Mail the adjustment request form to the address or fax number given on the form. Keep a copy for your files.

8.1.3 Accumulation of Property for a Specific Purpose

On occasion, a congregation plans a major expenditure of a capital nature. The expenditure may be so large that it is recognized that the funds to meet the cost will have to be accumulated over a period of time. This situation used to potentially jeopardize the congregation's ability to meet the now abolished 80 percent disbursement test.

Since the disbursement quote is now 3.5 percent of the assets, the likelihood of any church renovation project going offside is low. Approval must be obtained in advance from the Charities Directorate of the CRA. The letter of application should identify the project, its cost, its purpose, and the plans for raising the capital for the project. The approval will reclassify the shortfall, representing the difference between the required and the actual expenditure on charitable activity, so the congregation will then comply with the test.

8.2 Issue Charitable Tax Receipts

In general, for a donation to be tax-receiptable, it must be in the form of an outright gift. The CRA defines a gift as “generally a voluntary transfer of property for which the donor expects and receives nothing of value in return.” Many gifts are cash donations and should be tax receipted in the manner described below.

8.2.1 What to Include in Receipts

The CRA has issued very detailed rules relating to receipts in Regulation 3500 of the Income Tax Act and Folio S7-F1-C1, *Split-Receipting and Deemed Fair Market Value*. This section highlights some of the major requirements.

Government regulations require that a charity issue receipts in duplicate. The original is sent to the donor and the duplicate is kept on file for possible audit. In Quebec, receipts must be issued in triplicate and two copies sent to the donor. It is important that the total amount for which receipts are issued agrees with the total recorded in the church books and financial statements.

To see sample receipts, go to www.cra-arc.gc.ca/tx/tchncl/ncmtx/fls/s7/f1/s7-f1-c1-eng.html (or just search the CRA site for “S7-F1-C1”).

An official donation receipt includes the following:

- a statement that the receipt is an “official receipt for income tax purposes”
- the charity’s name and address
- the charity’s Business Number (BN)/Registration Number
- the amount of the cash donation or the fair market value of the non-cash donation
- the date of the donation (the year is sufficient for donations of cash)
- Canada Revenue Agency’s name and website address: www.cra.gc.ca/charities
- a unique serial number
- the amount of the donation in numerals and in words (e.g., \$25.00 and twenty-five dollars)
- the signature of the authorized signing officer

Since all churches cannot afford to have special receipts printed, serially numbered receipt forms can be purchased in duplicate. It is acceptable to use two rubber stamps, one bearing the name and address of the church and the other the words “Official Receipt for Income Tax Purposes, Registration Number...”

Where the donation is a gift of property other than cash, include a brief description of the property, the name and address of the appraiser if an appraisal has been made, and the date of the appraisal. The amount shown on the receipt must be the fair market value of the property as of the date the gift is made. (See section 5.10 for more on determining the amount.)

Prepare receipts legibly so they cannot be easily altered without detection. If a receipt is illegible or incorrect, cancel it by marking “cancelled” across its face. Retain the original copy with duplicate copies. Mark the replacement receipt “Replaces receipt number...” without deleting the number of the replacement receipt.

The CRA does not allow improperly completed receipts to be used as deductions from income.

Sometimes an extra copy of the official tax receipt needs to be issued. The extra copy should not include the charitable registration number and must contain the notation “This copy is for your information only and is not an official receipt for income tax purposes.”

To replace a lost official tax receipt, you may issue a replacement, which must contain all of the information usually required on the receipt, plus a notation to the effect that “This cancels and replaces receipt number...” (insert the serial number of the lost receipt). Your copy of the lost receipt must be retained and marked “cancelled.”

Pay particular attention to the dating of receipts. Subsection (1) of Income Tax Regulation 3501 reads, in part,

Every official receipt...shall show clearly...

- (e) the day on which, or the year during which, the donation was received
- (f) the day on which the receipt was issued where that day differs from the day referred to in paragraph (e) or (e.1);... [(e.1) refers to gifts of property other than cash]

Further, a receipt on which the day or year of receipt is incorrectly or illegibly entered “shall be regarded as spoiled” (sec. 6, Regulation 3501). *The effect of these regulations makes it illegal to issue a receipt in one year and receive the cash in another without bringing it to the attention of the CRA.*

8.2.2 When Not to Issue Receipts

The CRA has set out a number of situations in which tax receipts should not be issued (refer to P113, *Gifts and Income Tax*, www.cra.arc.gc.ca/E/pub/tg/p113/README.html, for more information). Tax receipts should not be issued

- for amounts received by **loose collection** where it is impossible to identify the amount contributed by a particular donor.
- for **donations of services** where the donor requests a receipt for the value of those services. The person providing the service should bill the congregation for the work and receive payment in the usual way. If the person cares to donate an equivalent amount to the charge, he or she should do so and receive a receipt in return. Otherwise, the charge could find itself in the position of being a party to a fraud whereby the person who provides the service evades tax by not reporting the consideration received (in the form of a tax receipt) as income.
- for most **donations of old clothing, furniture, baking, and the like**, with some exceptions for gifts with substantial value (see section 9: Paying Taxes). If the congregation is planning a fundraising event such as an auction, the Charities Directorate rules should be consulted before issuing tax receipts for donated goods.
- where only a **pledge** has been received.
- for a gift received from another registered charity.
- for donations to organizations that do not have charitable status.

Here are some additional things for which income tax receipts should not be issued:

- payment of a basic admission fee for an event or concert, training program, or seminar
- purchase of goods or services from a charity, such as an item sold at a bazaar or auction
- donation made for a specified person or family

Most receipting for congregations is straightforward because most of the income comes from offerings collected on Sunday mornings. However, sometimes congregations are faced with unusual situations—for example, being asked to issue a tax receipt for a donation to a non-profit organization that does good work but does not have charitable status. However worthy the project, the congregation cannot do that.

Another common request is for congregations to issue receipts for funds donated to cover the costs of tours to developing countries that the donors are planning to participate in. The law requires that gifts must be gifts, and the portion of benefit or control retained or returned to donors clearly identified and recognized.

8.2.3 Timing of Donations Received and Issuing Receipts

Gifts made at year-end that have a postmark on or before December 31 but are not received until after January 1 of the new year can be considered to have been made in the year they were mailed in. Keep the postmarked envelopes with your records.

8.3 Issuing T4 Annual Returns

Corresponding to the payroll taxes that every employer must pay, there must also be annual T4 returns. Chapter 4 deals with this and all other payroll matters.

8.4 Disbursement Quota

8.4.1 What Is the Disbursement Quota (DQ)?

The disbursement quota is a prescribed amount that registered charities must disburse each year to maintain their charitable registration. **The CRA calculates this for you. As long as the T3010 return is completed correctly, DQ will usually not be a problem. Very few congregations in the United Church are affected by this since a change made in 2012.**

The purpose is to ensure charities use charitable funds for charitable activities, and to discourage charities from spending excessive amounts on fundraising and accumulating excessive funds.

In addition to providing financial and other information, the T3010 enables the CRA to calculate the disbursement quota to be spent on charitable activities in the current year.

8.4.2 What's New with the DQ?

A percentage of the value of your property not being used on charitable activities or administration (e.g., investments) must be spent on your charitable activities or as gifts to qualified donees. Previously this requirement applied only to foundations.

- The percentage used for calculation purposes is 3.5 percent.

- The new DQ only applies where the property is in excess of \$25,000.
- Charities can access capital gains from endowments to meet the 3.5 percent DQ.

Note that this is only a brief overview of the DQ. Ninety-nine percent of our congregations will not need to worry about it if they complete the T3010 form properly. For a more detailed explanation, consult T4033, *Completing the Registered Charity Information Return*, which is available online (www.cra-arc.gc.ca/E/pub/tg/t4033/README.html) or on request (no longer mailed each year automatically).

Few church organizations ever get into difficulty with the CRA because of these restrictions. Instead, challenges to the right of church organizations to participate in the public arena tend to come from elected politicians or members of the media.

8.5 Public Benefit

A “charitable organization” is an organization that may or may not be incorporated and devotes all of its resources to charitable activities. There is to be no benefit to any of its members, directors, or trustees.

All individuals, whether members or non-members, must be treated the same with respect to renting or using church facilities. There cannot be one fee for non-members and a reduced fee for members. That is conferring a benefit to the members and could put the charitable status of the organization in jeopardy.

In a church setting, this means there should not be different fees for weddings or room rentals for different people.

The message is to treat everyone the same, whether they are members or non-members. The CRA does allow for there to be a “non-profit” rate as well as a “for-profit” rate. Congregations will also sometimes waive a fee for outreach or compassionate reasons.

8.6 Limit Gifts of the Congregation’s Money

Congregations as charitable organizations cannot “use the church’s tax number” to pass money on to organizations, however worthy they may be, that are not “us” or are not themselves registered charities.

This does not mean a congregation cannot engage in any worthy public activity. It means only that the work must be the *congregation’s* work. For example, say a congregation has a fundraising drive to sponsor a refugee. For the congregation to issue receipts, its board/council must decide that the project is an official congregation project for which it will take responsibility. It can then designate funds received within its budget to support the project and in turn issue receipts. However, the congregation with the charitable status must remain in control of the project.

Congregations need to ensure that organizations to which they want to make donations have their own charitable status. This is especially important as budget cutbacks in the social field create pressure for innovations and creative partnerships to deliver those programs. Congregational officers may need to review grants made to third parties that are not qualified donees and take appropriate action.

There is a nuance to this rule. The law requires that congregations spend substantially *all* of the charitable dollars they receive on their mission. The Canada Revenue Agency currently interprets “substantially all” to mean about 90 percent. Therefore, it is possible for churches to make small grants to support a project of an organization that does not qualify for charitable status (is a non-qualified donee), provided the amounts given to all non-qualified donees are less than 10 percent of the congregation’s receipts and the congregation can demonstrate “direction and control” over the activity.

Some congregations have long-standing relationships with organizations or churches in countries of the global South. Because these organizations are not Canadian, they are de facto non-qualified donees under Canadian law. Funds and goods sent overseas need to be handled carefully to stay within the regulations for charities. The Anti-terrorism Act, Bill C-36, has increased the penalties for violating the Income Tax Act or the regulations. These changes need not stop people from contributing to international development and mission efforts of churches overseas. They do, however, require due diligence. Specifically, the congregation must be able to demonstrate “direction and control.” For further information, contact the Mission through Finance staff at 416-231-7680 or 1-800-268-3781, ext. 4147.

Officers of charities should be concerned about reviewing how they deal with significant property or rental income. A congregation may be able to resolve some of the ambiguities by establishing clear mission statements that express how an activity that generates income is integral or ancillary to its mission. Policies on investment or property rentals may also help.

When a congregation starts a fundraising, a self-help, an economic development, or a property-use program, it tries first to define that enterprise as being related to its objectives. The work is therefore considered part of “devoting resources to charitable activities” in section 149(6)(a) of the Income Tax Act. If the revenue-generating project is not related to the congregation’s charitable end, it may still be sheltered if it is “substantially all” staffed by volunteers. The CRA says this means 90 percent volunteer.

8.7 Control Extent of Related and Unrelated Business

Some congregations have raised questions about the legality of business ventures that have been offered to them as ways of raising money for their work. In brief, charities are allowed under the Income Tax Act to operate related businesses—that is, not-for-profit businesses that are directly related to their charitable end. Running an unrelated

business, however, can—in the extreme—mean the revocation of a congregation’s charitable status. A third area of concern here is church–business partnerships, where a business offers a charity a cut of profits in exchange for help in promoting a product. Each of these issues and the current rules are covered here in general terms. Any such idea should be vetted carefully.

8.7.1 Related Business

The Income Tax Act currently allows charities to operate related businesses, with two conditions:

1. The business must be set up on a not-for-profit basis.
2. The business must be directly related or “linked” to the mission or charitable end of the charity.

For congregations, the related business has to have something to do with “advancement of religion,” which is the only “charitable end” of a congregation from the point of view of the Income Tax Act. For example, a related business might reasonably create and sell preaching stoles, run a religious bookstore, or run a thrift store for low-income neighbours of the congregation. It could not manufacture plumbing fixtures or run an interior design studio.

The federal government currently asks two questions relevant to congregations to determine whether a related business is proper:

1. Is it *linked* to the charity’s purpose?

For example, the charity might have a unique method or skill gained in carrying out its mission that others are willing to purchase (e.g., a congregation develops a counselling service based on a special skill it has developed in working with people suffering from addictions). This is seen as an “off-shoot” of the charity pursuing its mission.

Or a congregation might rent out its parking lot or meeting space to businesses during times the congregation isn’t using the space. This is seen as a “use of excess capacity.”

2. Is it *subordinate* to the charity’s actual purpose?

To meet this test, there are a number of other tests, such as: Could the congregation carry out its purpose without the business? Is more of the congregation’s energy going into the business than into the mission of the congregation?

8.7.2 Unrelated Business

Currently, the Income Tax Act says that a charity may not operate an unrelated business. This subject area is in a state of flux, with much discussion around the notion of social entrepreneurship and a blurring of traditional boundaries. In the extreme, the penalty for running an unrelated business can be loss of charitable status. The CRA may not detect all charities that operate an unrelated business simply because the CRA only has

the capacity to deal with those with substantial business income, approximately \$30,000 per year or more.

The only way Canadian charities can run an unrelated business is if they set up the business in a “separate taxable entity,” with a board of directors that is separate from the board of the charity.¹

There are a number of rationales. For church purposes, the simplest rationale is that the congregation must demonstrate that donations to the congregation for its ministry, as well as mission assets like property, are not put at risk in a business that may or may not make a profit.

8.7.3 Church–Business Partnerships

The most recent proposal circulating among congregations offers them an opportunity to earn income for the congregation by becoming the “independent agents” of a company that sells electricity and long-distance telephone services, among other things. The congregation can encourage its members to buy the company’s products and get a bit of money in return. If it wants to make more income for the congregation, members can encourage others to buy the product. The purchase and resale of various gift cards operates similarly.

Several issues arise from the standpoint of the Income Tax Act related to

- the use of the labour of church volunteers, who become unpaid salespeople for the for-profit company. That company gains an unfair advantage over other businesses by using volunteers from a charity rather than paying staff.
- the use of the congregation’s charitable, tax-exempt assets to develop a program that enlists members of the congregation to “work for” a for-profit company that is subject to taxation (i.e., staff time, office space, and, indirectly, donations).

For the congregation, there are also issues related to

- diverting people from tasks that are more central to the congregation’s mission
- ensuring that the mission assets—cash, property, trusts, bequests, etc.—are protected from risk of court action or liability claims that may arise from the activities or products of the for-profit company or even from claims for loss of profits by other shareholders if the company performs poorly or goes bankrupt

This topic is very hot in the charitable world. The rules will likely be made much clearer through legislation. The General Council Office is monitoring the developments and participating in the consultations as they are held.

1. This is a very complex process that is beyond the scope of this handbook.

8.8 Limit Political Activity

This is an area that has received considerable public attention in recent years. The T3010 now has Schedule 7 devoted to reporting on such activity.

The church's participation in public policy issues in Canada is both legal and desirable. For a church within the traditions that make up the United Church, participation in society is part of Christian discipleship. From a public policy point of view, government is ill-served when it cuts off its access to insight and information from organizations like the church simply because they have charitable status.

A congregation or other church organization with charitable status can participate in the public policy process on matters related to their charitable purpose, in this case "advancement of religion." The regulations officials use to implement the income tax require congregations to report how the funds received were used and therefore demonstrate that what congregations did was related to the advancement of religion rather than to the objectives of organizations that are not registered charities. The one other condition is that the political activity must be "incidental"—that is, must amount to no more than 10 percent of the church's income in a year.

There are cases, however, that are clearly prohibited. A minister who asks the congregation to vote for a particular candidate is violating the regulations. Congregations may not use their resources—financial or personnel—to support partisan activity or sedition. That is, they may not support particular parties or incite resistance to lawful authority.

There are also actions that fall within the bounds of charitable activity. A charity that makes its views known to a government official, even if they advocate law or policy changes, is not considered to be engaging in political activity. A public awareness campaign to educate the public on an issue relating to the charity's purpose without encouraging a change in government law or policy is also not considered political activity. Participating in education is not a political activity as long as the educational materials clearly present a balanced, objective position, not simply rhetoric or opinions, and the activity itself aims to increase knowledge or abilities, advance the artistic flavour of a community, or advance a body of knowledge through research. Congregations would be prudent to refer to the CRA's regulations and interpretations to better determine exactly what constitutes charitable, political, or prohibited activities.

For a deeper understanding of this policy, see www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html.

For more information refer to forms T2092, Contributions to a Registered Party or to a Registered Association—Information Return (www.cra-arc.gc.ca/E/pbg/tf/t2092/README.html), and T2093, Contributions to a Candidate at an Election—Information Return (www.cra-arc.gc.ca/E/pbg/tf/t2093/README.html).

8.9 Charitable Registration

8.9.1 Why Would a Congregation Want It?

Charitable registration brings with it the compliance requirements we have been describing. If a non-profit organization wanted to be more politically active or politically partisan, for example, it could operate without charitable status and be less encumbered. However, its donors would need to accept this choice. Most churches are organized as registered charities. In Canada, registering with the federal government as a charitable organization is voluntary. Congregations that choose to register benefit from a number of privileges. The two most important privileges are (1) freedom from paying federal tax on their income (a privilege shared with other non-profits) and (2) the right to issue charitable receipts for donations that individual taxpayers make to the organization. Other benefits include exemptions on property tax, sales tax rebates, and, in the case of pastoral charges, a clergy residence deduction.

For an in-depth look at what types of activities a charity can participate in, see www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html#6-0.

To be recognized as a registered charity, an organization must meet several requirements. First, it must exist to carry out an exclusively “charitable purpose” that provides a public benefit. In Canada, such purposes are defined as

- relief of poverty
- advancement of education
- advancement of religion
- any other purpose beneficial to the community not falling under the other three purposes (for more information on Ontario’s Charities Accounting Act, take a look at www.ontario.ca/laws/statute/90c10)

In deciding whether a body is a charitable organization, the CRA looks at the activities that body undertakes and the way it is organized to accomplish its charitable end.

- It must have been organized as a charitable organization or a private or public charitable foundation, including a formal constitution and incorporation as a charitable corporation or trust.
- It must use all of the income generated for the charitable purposes; none of the income may be for the personal benefit of members or officers.
- It may not carry on a for-profit business, though there are exceptions for volunteer-run businesses or for “ancillary” businesses related to the charity’s purpose (e.g., selling religious books or renting property).
- It may not use its resources—financial or personnel—for partisan political purposes or for sedition.

If the CRA revokes an organization’s charitable status, it virtually always happens at the request or with the consent of a charity, or is due to an administrative lapse.

8.9.2 Getting and Keeping Charitable Status

A congregation may seek charitable status so it can provide charitable tax receipts to donors and get tax exemptions. To register, the congregation must show that its charitable end is the “advancement of religion,” the purpose to which it must devote substantially all of its resources.

There are good reasons to have charitable status as a congregation. Charitable status confers a tax number, which appears on receipts for donations made to the congregation’s work. Charitable status also gives the congregation the benefit of tax exemptions for income, property, and sales taxes. However, it also confers certain restrictions on the congregation’s activities. The requirement that the congregation carry out the work itself is an important one. It means that the church organization can spend its income in three ways:

- Do ministry directly.
- Own or adopt a program or group that is clearly a part of the congregation.
- Support qualified donees that are also registered charities.

The process for getting charitable status for more complex organizations begins with consulting an expert in drafting applications, such as a lawyer or consultant. You can contact the General Council Office for information by calling 416-231-7680 or 1-800-268-3781, ext. 4022. We also offer how-to webinars at <https://vimeo.com/album/1517634>.

This section should not be construed as replacing legal advice. The CRA is responsible for registering charities as well as collecting income tax from them. The CRA provides a guide and forms for registering for charitable status (see section 8.10: CRA Forms and Reference Guides for more information). Here we will give a quick overview of the process.

To qualify for registration, an organization must be established and operated for charitable purposes, and it must devote its resources to charitable activities. The charity must be resident in Canada and cannot use its income to benefit its members. A charity also has to meet a public benefit test. To qualify, the organization must show that the people who may benefit comprise a significant portion of the public. The church organization must be incorporated or governed by a legal document called a trust or constitution that explains its purpose and structure. And finally, charities cannot engage in political activities other than the limited non-partisan political activities prescribed by the Income Tax Act. (See section 8.8 for more information.)

Congregations must have as their main charitable purpose or activity the advancement of religion. Congregations may also take part in the relief of poverty, the advancement of education, and other communally beneficial activities, but a majority of their resources must be used for religion.

A number of issues will cause the CRA to refuse charitable registration. Three of the main reasons for refusing registration:

- The objects are a mixture of charitable and non-charitable aims, where the non-charitable aims could be construed as political.
- The charity is set up by an agreement between several parties without being incorporated or having a formal constitution.
- Those who will benefit are members of a particular ethnic community. No benefit should be given to any members of a charity.

When drafting the objects or purposes of the charity, a basic principle of charity law is that an organization's objects must be expressed in precise and clear language—that is, it must be clear what charitable activities are being undertaken. The CRA is willing to view draft governing documents if all the information required is provided.

Penalty for Failing to File the T3010

As a registered charity, you have to file a return with the CRA each year no later than six months after your fiscal year-end. For example, if your fiscal year-end is March 31, the return for the previous 12 months must be filed on or before September 30. It is very important that you complete form T3010 accurately and file it on time.

If you do not file your return, your charitable status is revoked and a \$500 fee will be due if you apply for re-registration. Your charity will be required to pay this penalty before an application for re-registration (T2050) is considered.

Sanctions

To encourage charities to comply with the Income Tax Act, there are new intermediate sanctions. In addition to revocation, these new sanctions include fines and a suspension of the ability to issue official donation receipts.

For example, sanctions may be imposed for

- failing to file a return
- issuing receipts with incomplete or misleading information
- failing to keep books and records
- carrying on unauthorized business
- providing undue benefits
- inappropriately transferring funds

The chart that follows identifies the penalties and suspensions.

Infraction	First Infraction	Repeat Infraction (repeated infractions will increase the probability of revocation)
Late filing of annual information return (T3010)	\$500 fee if reinstating	\$500 penalty
Issuing receipts with incomplete information	5% penalty on the eligible amount stated on receipt	10% penalty on the eligible amount stated on receipt
Failure to keep proper books and records	Suspension of tax-receipting privileges	Suspension of tax-receipting privileges
Charitable organization or public foundation carrying on an unrelated business	5% penalty on gross unrelated business revenue earned in a fiscal period	100% penalty on gross unrelated business revenue earned in a fiscal period and suspension of tax-receipting privileges
Private foundation carrying on any business	5% penalty on gross business revenue earned in a fiscal period	100% penalty on gross business revenue earned in a fiscal period and suspension of tax-receipting privileges
Foundation acquires control of a corporation	5% penalty on dividends paid to the charity by the corporation	100% penalty on dividends paid to the charity by the corporation
Undue benefit provided by a charity to any person (e.g., a charity makes a cash gift to the director's son)	105% penalty on the amount of undue benefit	110% penalty on the amount of undue benefit and suspension of tax-receipting privileges
Generally making a gift to an entity other than a qualified donee	105% penalty on the amount of the gift	110% penalty on the amount of the gift
Issuing receipts if there is no gift or if the receipt contains false information (where the penalties in total do not exceed \$25,000)	125% penalty on the eligible amount stated on the receipt	125% penalty on the eligible amount stated on the receipt

Infraction	First Infraction	Repeat Infraction (repeated infractions will increase the probability of revocation)
Issuing receipts if there is no gift or if the receipt contains false information (where the penalties in total exceed \$25,000)	Suspension of tax-receipting privileges and 125% penalty on the eligible amount stated on the receipt	Suspension of tax-receipting privilege and 125% penalty on the eligible amount stated on the receipt
Gifting property to another registered charity so as to delay expenditures on charitable activities	The charities involved are liable to a 110% penalty of the fair market value of the property	The charities involved are liable to a 110% penalty of the fair market value of the property

Canada Revenue Agency, "Penalties and Suspensions," accessed December 2016 from www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/pnlts-eng.html.

Appeals

To make the appeals process more accessible to charities, a new unit in the CRA's Appeals Branch reviews decisions made by the CRA's Charities Directorate on matters such as

- sanctions
- denials, revocations, and annulments of charitable registration

If you are not satisfied with the outcome of the review, you have the option of an external appeal. An appeal of a sanction is brought to the Tax Court of Canada, and an appeal of a denial, revocation, or annulment of charitable registration is brought to the Federal Court of Appeal. Information about decisions is posted on the CRA website.

8.9.3 What You Should Know about Re-registration

It is much easier to maintain one's registration than to try to get it back!

Congregations that have had their charitable registration revoked and are applying to be re-registered should be aware of the following:

- After revocation, any application for re-registration is treated the same way as a new, first time application. An organization seeking to regain its registration must complete a T2050 Application to Register a Charity Under the Income Tax Act and provide the requested documentation, information, and signatures. Organizations applying for re-registration must also include a certificate of good standing (see Q9.1c on form T2050). **This Letter of Good Standing is issued by the General Council Office (see sample on page 85). Contact Erik Mathiesen (1-800-268-3781 or 416-231-7680, ext. 4022; emathiesen@united-church.ca).**
- Before it can be re-registered, an organization is required to file at least the last four years of missing Registered Charity Information Returns (T3010) and financial

statements. This requirement applies to years both before and after revocation. This process is time-consuming and tedious work with no guarantee of a successful outcome.

- Statute law, common law, and administrative policies concerning charities change over time. Therefore, an organization that qualified for registration several years ago may not qualify today, or may have to make changes to its purposes and/or activities.

A charity that loses its registration because it did not file its T3010 is assessed a late \$500 fee, and this payment must accompany the application for re-registration.

For detailed instructions on how to complete and submit the T2050 form, see the CRA website.

Keep a copy of the completed application for your own records. The application form should be completed by either

- a person holding a responsible position in the organization (e.g., chairperson, treasurer, or manager)
- or
- someone appointed by the organization to act on its behalf (e.g., a legal representative)

The certification section at the end of the application must be completed by two people who are authorized to sign on behalf of the organization. An original signature is required. Directors, trustees, treasurers, or anyone else holding a responsible position in the organization can sign the application.

Q7. Re-registration: If the organization has had its registration revoked and the application is for re-registration, check “yes” and provide a response to Q7a) and b).

For registration purposes, a pastoral charge (called an “internal division” by the CRA) must provide a Letter of Good Standing from the General Council Office of the United Church (called the “parent organization” by the CRA). This document must confirm the status (branch, section, parish, congregation, etc.) and give the name of the internal division, the date it was established, the name of the governing document under which it was established, and the name of the governing document it currently adheres to. This document must be dated and signed by a director or trustee of the parent organization (include the director or trustee’s position in the organization).

Q9. Governing document: Many long-established congregations do not have governing documents of their own. In these instances we recommend you show the Internet address of *The Manual of The United Church of Canada* (www.united-church.ca/handbooks) but do not print it out to include with the application.

For more information on the re-registration process and what must be included with this application, refer to CRA Guide T4063.

Form T2050

	Canada Revenue Agency Agence du revenu du Canada	Protected B when completed				
Application to Register a Charity Under the <i>Income Tax Act</i>						
<p>To complete this form, you will need the information and instructions in the companion Guide T4063, <i>Registering a Charity for Income Tax Purposes</i>, available in the Forms and publications section on our website at www.cra.gc.ca/charities.</p> <p>To evaluate an application, we need complete and accurate information. If a question is not relevant to the organization's situation, enter N/A in the space provided. If this application and the mandatory attachments are not included, we will return the application without reviewing it. See the checklist on the last page for a list of the mandatory attachments.</p> <p>The Canada Revenue Agency (CRA) may share the information collected on this form with other government departments or agencies to verify compliance with the <i>Income Tax Act</i> and other Acts of Parliament.</p> <p>The <i>Privacy Act</i> protects all personal information given on this form, which is kept in personal information bank: CRA PPU 200. If the application is approved and the organization is registered, the CRA is permitted to make this form (including any attachments) and copies of the registration letter (including any conditions and warnings contained therein) available to the public, with the exception of the confidential information in Part 5 and Part 6. If registration is denied, however, none of the information will be provided to the public.</p>						
Part 1 – Identification of the organization applying for registration						
Q1	Current legal name of the organization					
Q2	Current operating or trade name	<input type="checkbox"/> N/A				
Q3	Previous names – List any other names under which the organization has operated	<input type="checkbox"/> N/A				
Q4	Business Number Give one of the organization's Business Numbers if one has been assigned.	<input type="checkbox"/> N/A				
	<table style="width: 100%; border: none;"> <tr> <td style="border: 1px solid black; width: 25%; text-align: center;">R C</td> <td style="border: 1px solid black; width: 25%; text-align: center;">R M</td> </tr> <tr> <td style="border: 1px solid black; width: 25%; text-align: center;">R P</td> <td style="border: 1px solid black; width: 25%; text-align: center;">R T</td> </tr> </table>	R C	R M	R P	R T	
R C	R M					
R P	R T					
Q5	Mailing address					
	(number, street, room, floor or suite no., R.R.)					
	(city or town)	(postal code)				
	(telephone number)	(fax number) (website address)				
Q6	Previous contact with CRA Has the organization previously applied to be registered as a charity?					
	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes , provide the reference number(s) used by the Charities Directorate.					
Do not use this area						
Business Number	Reference number					
Submission Number	CTS Work Item Number					
T2050 E (16)	(Ce formulaire est disponible en français)	Canada				

Canada Revenue Agency, T2050 Application to Register a Charity Under the Income Tax Act, accessed December 2016 from www.cra-arc.gc.ca/E/pbg/tf/t2050/README.html.

8.9.4 How Are Charities Distinct?

The CRA strives to increase public awareness about the monitoring of charities and to increase access to information. The CRA requires that all income tax receipts include the following information:

Canada Revenue Agency www.cra-arc.gc.ca/charities

Canada places a high value on the non-governmental sector for the crucial role it plays in building the kind of society Canadians need. Governments have recognized that the public (or government) sector cannot meet all the needs of Canadians. The non-governmental sector includes a huge range of organizations that break down into private-sector, or for-profit, organizations and third-sector, or non-profit, organizations.

The tax system has been designed to provide space for each of the sectors to make its contribution without completely destroying the “commonwealth” of the country. The system makes distinctions between charities and non-profits, between charities and businesses, and between charities and governments.

Charities and Non-Profits

A wide range of organizations in Canada fall into the non-profit class. These are organizations that Canadians create for mutual benefit. Ethno-cultural and advocacy groups, environmental and animal rights groups, and community clubs and associations all enjoy exemption. They do not have the right to issue receipts to their donors for purposes of tax deductions. The “ends” these groups pursue are deemed non-charitable, or not exclusively charitable ends recognized in Canada. Mutual benefits—or benefits to the members of these organizations—may predominate over benefit to the public. Or they may engage in primarily political activity or in partisan political activity. The range of distinctions is often vague or arbitrary, based in historic practice rather than any theory about how Canadian society should be organized. A court decision may also mean that an entire group of organizations once recognized as charitable no longer qualifies.

Charities are part of the non-profit group of organizations; however, they are a special group in the non-profit sector because they are organized for public benefit. Both types of groups in this sector are, by definition, “not-for-profit” and are tax-exempt on their income. Charities have an additional characteristic: They have the right to issue receipts on donations made for their work, a distinct advantage in fundraising.

The definitions of “charitable end” in Canada are extremely narrow compared with those of other countries. They exclude activities that many Canadians would consider to be for the public benefit—for example, promoting peace and cross-cultural understanding. Although there has been some movement to see protection of the environment as charitable, the effort to get charitable ends expanded to include the kinds of citizen action required in a modern society continues.

Charities and the Private Sector

The charitable registration system draws another set of boundaries between charities and private interests. This includes the prohibition on charities operating unrelated businesses, a policy that ensures for-profit businesses are not allowed to avoid paying their share of income taxes or to gain a competitive advantage over other businesses by masquerading as charities. The system also includes elaborate measures designed to contain the use of private foundations for private benefit while withholding a fair contribution to the tax base in support of the public good. The measures for foundations determine how they must differ from outright private ownership in income, as well as the control of assets.

Charities and Governments

Another set of boundaries lies between charities and government agencies—or what is known colloquially as GONGOS (government-organized non-governmental organizations). Before the welfare state was created, there was a kind of “welfare church” among other private, charitable organizations that organized the services many Canadians needed. However, with the coming of the welfare state, governments (federal, provincial, and municipal) assumed wider public agency mandates in areas of education, health, culture and recreation, and social services. They acted directly to replace and extend charity as public service, and they developed a growing field of public administrative or public law and judicial review to regulate this hybrid area.

Ambiguities have arisen when these organizations have entered into “partnerships” with registered charities, which are seen as more cost-effective than government-run agencies.

8.9.5 Churches as Charities: Do They Provide Public Benefit?

Churches and church-related bodies are overwhelmingly registered as charitable organizations. The church is registered as an organization whose charitable end is the “advancement of religion,” the purpose to which it must devote substantially all of its resources. This does not mean that churches do not advance education or the relief of poverty; however, they do that as part of their specific charitable end: the advancement of religion.

Churches are exempt from many taxes, not only because they belong to the non-profit group of Canadian organizations but also because they belong to the “registered charity” category in that group. Registered charities include organizations that exist to produce a public benefit in several limited areas: religion, education, relief of poverty, and a category known as “other” that generally includes arts, health, and amateur sports.

The way governments tax (or do not tax) churches is the issue that most often sparks the general interest of media, talk shows, and politicians as they struggle with budgets. On the whole, as charities, churches are exempt from income tax. However, they are only partly exempt from sales tax and property tax.

Some argue that there is little or no distinction between churches and other non-profit organizations, such as clubs and associations, so churches should be treated in exactly the same way. These organizations are exempt from income tax but do not have the right to issue receipts for charitable tax credit purposes to their donors.

For their part, religious communities generally do not accept being categorized as merely non-governmental or non-profit organizations. Their rationale is that churches exist to help individual believers meet their religious and spiritual needs—an aspect of human life that is so fundamental to the dignity of the individual that the state needs to make sure conditions exist for people to practise their faith.² The tax-exempt status granted to churches in Canadian law is the method used in this country to ensure that religious communities are able to exist and to be both self-governing and economically self-sustaining.³

Where congregations work closely with or through another non-profit organization, neither organization's exemption from income tax is threatened. However, the congregation's ability as a registered charity to give receipts for donations to common work may be compromised. If congregations enter into coalitions with community non-profits, they need to be careful to determine to which category of exemption the collective group belongs and ensure that financial activities of the group do not place the congregation in a situation where it could be seen to be “laundering” funds through its charitable registration to groups that are not eligible to issue receipts to donors. For a broader explanation concerning direction and control, see CG-004 at www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/ntrmdry-eng.html#N1020D.

Exemptions serve several tax purposes, as noted above. The exemption for different organizations may achieve any or all of the possible purposes. The primary justification for the income tax exemption of most local congregations is a practical one: The administrative costs of confirming that there is no taxable income cannot be justified.

Exemption is a tax relief measure. It is also a tax expenditure in that it requires the government to forego revenue that could have been collected for government purposes through the tax system. This is an important means for governments to “spend” money indirectly to achieve a public good.

It is also a measure to produce administrative efficiency and economy in public administration, particularly where it would cost the government more to collect the tax than it would realize for its efforts. Exemptions serve both goals of tax expenditures and efficiency.

2. This controversy continues to underlie churches' relationship with wider civil society and the CRA. For its part, CRA includes a specific definition of religion that must include “an element of theistic worship.” The work of religious charities covers a broader section of charitable ends, however, and is important to Canadian civil society. Religious charities comprise a large part of Canadian charities, being more than twice as large as any other charitable category.

3. Other countries have different arrangements to make churches economically viable. For example, where there is an “established” or state church, the government often collects the “church tax” from citizens and gives the money to the church. In some countries, churches are allowed to run for-profit businesses to generate revenue for religious activities.

A more philosophical approach rests on the consumption/replacement argument. That is, exempting certain kinds of organizations from income tax permits citizens to form and finance the organizations they need for community well-being. Therefore, the income tax exemption allows citizens to allocate their resources to meet community needs, where exempt organizations can achieve the public good better than government can. This argument rests on beliefs about democratic development and civil society.

8.9.6 Amalgamations, Mergers, and Consolidations

Sometimes two or more charities combine to form a single charity. This can happen because a government has imposed the merger. For example, this was the case for hospitals in some provinces. Charities can also choose to join together in response to changing circumstances or changed objectives.

Charities that choose to combine can do so through an amalgamation, merger, or consolidation. Although these terms are sometimes used interchangeably, there are important distinctions between them for charities.

There is also a distinction to be made between organizational changes that are internal to the United Church and those that require external approval. Depending on where charitable status is held, the CRA may or may not care about internal changes. The primary factor is where charitable status is held.

For single-point pastoral charges, there is no distinction. The individual preaching point has its own charitable status, and all reporting—internal and external—is based on this.

For multi-point pastoral charges, the CRA Charities Directorate perspective is based on where charitable status is held. If it is held by the pastoral charge, the CRA doesn't track or care about how many points might be operating under the one number.

Where charitable status is held by each preaching point in the multi-point pastoral charge, from a CRA perspective, the pastoral charge is simply an administrative construct that supports the administration of the individual charities.

Consequently, a change internal to the United Church could be either highly complex or very simple when dealing with external bodies.

Seek guidance from United Church advisers before contacting the Charities Directorate and embarking on any of these measures.

Each Conference in the United Church has detailed procedural documentation to support this kind of activity.

A registered charity that is ceasing to operate should request voluntary revocation of its registered status, **but only once all assets have been transferred**. This affords a greater degree of flexibility in transferring assets. While charitable status is maintained,

assets can be transferred to “qualified donees.” Once a charity’s status is revoked, it can no longer issue official donation receipts, it is no longer exempt from income tax, and it must transfer its remaining assets to eligible donees.

When winding up a charitable number, there are two essential filings with the CRA Charities Directorate:

- A final T3010 return—ideally showing zero balances on the balance sheet.
- A T2046 return showing how any residual assets were redeployed for charitable purpose. Note that at windup of a charity, any residual monies or assets are subject to a 100 percent tax unless it can be shown that the monies were properly distributed to eligible donees.

Under the Income Tax Act, qualified donees are organizations that can issue official donation receipts for gifts that individuals and corporations make to them. They are as follows:

- a registered charity
- a registered Canadian amateur athletic association
- a housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged
- a Canadian municipality
- the United Nations and its agencies
- a university that is outside Canada that is prescribed to be a university the student body of which ordinarily includes students from Canada
- a charitable organization outside Canada to which the Government of Canada has made a gift during the fiscal period or in the 12 months immediately preceding the period

An eligible donee is a registered charity that

- is not subject to a suspension of tax-receipting privileges
- is not subject to a security certificate under the Charities Registration (Security Information) Act
- has no unpaid liabilities under the Income Tax Act or the Excise Tax Act
- has filed all of its information returns
- has more than half of its directors/trustees at arm’s length with each of the directors/trustees of the charity gifting to it

When two or more charities amalgamate, they bring their membership, assets, and liabilities into the entity that emerges. However, the original charities do not cease to exist or dissolve. While they no longer have separate identities, they continue to exist in a single entity, the amalgamated charity.

In mergers, one entity winds up its affairs and transfers its assets to another registered charity.

In consolidations, all the original bodies dissolve and transfer their assets to a new entity.

Again, a charity that is merging, amalgamating, or consolidating with another organization should consult with United Church experts first, then the Charities Directorate at 1-800-267-2384.

It is also important to be careful with language. Sometimes United Church congregations amalgamate, but sometimes restructuring of pastoral charges has no CRA impact. The CRA basically looks at things from the perspective of each charitable number. Is there a name change? Is a charitable number being retired?

How Do Such Organizational Structures Affect the Use of Business Numbers (BNs)?

A business number is a single number an organization can use in all its dealings with the federal government. Each of these organizational structures affects the use of BNs differently.

If a congregation or pastoral charge is in the process of changing its name, this will not affect its business number. However, the CRA must be notified of a charity's name change. A letter of name change will confirm the new legal name and the effective date. This letter can be requested through Erik Mathiesen at emathiesen@united-church.ca.

If receipts show a name other than the name recorded with CRA, the charity is liable to a penalty and the CRA may reject the donors' claim on their income tax returns. For more details, see "Changing a charity's legal name" at www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/chngs/nm-eng.html.

In the case of an **amalgamation**, one BN is retained and used by the amalgamated body. The other BN(s) will be terminated. The charity may be able to choose which BN it retains.

With a **merger**, the body proposing to dissolve undergoes voluntary revocation of its registration. The BN of the other remaining organization is not affected. The assets are all transferred to the remaining organization.

In the case of a **consolidation**, all original bodies are considered to undergo voluntary revocation. The new consolidated body submits an application for registration and, if the application is accepted, is typically given a new BN.

8.9.7 Donations of Items of a Speculative Value

For some time, the Charities Directorate has cautioned registered charities about issuing official donation receipts for gifts in kind for amounts exceeding their fair market value. Of particular concern are donations of art and other items of speculative value, such as trading cards, comic books, and used cars.

Art-flips are arrangements where a promoter arranges for a taxpayer to purchase

property at a relatively low price and donate it to a registered charity. The charity then issues a tax receipt based on a substantially higher value than the cost to the donor. When the tax receipt is claimed on the donor's tax return, it generates a tax saving that is higher than the amount paid for the donated property. Such arrangements can result in a significant cost to the tax-paying public.

Congregations should be wary of situations where they are approached with prearranged donations. They must ensure that any official donation receipts issued for gifts in kind are for fair market value. For gifts over \$1,000, the CRA recommends that the fair market value be determined by an independent appraisal performed by a competent professional who is not financially associated with the donor, promoter, or item being donated.

A charity should not lose sight of the fact that it is the amount for which the receipt is issued that is crucial, even though the charity may in turn sell the property for an amount far below the amount for which the receipt was issued.

Charities that issue receipts for amounts in excess of the fair market value of the donated property risk losing their registered status.

Remember: Congregations are not obliged under the Income Tax Act to issue official donation receipts for gifts, and they are not required to accept gifts. Before accepting gifts in kind, ask yourself how the gift would allow you to further your charitable purposes.

If you have specific questions about donation schemes, contact the General Council Office or the Compliance Section of the Charities Directorate at 1-800-267-2384.

8.10 CRA Forms and Reference Guides

Most of the forms and publications needed to get and keep charitable registration are available on the CRA website: www.cra-arc.gc.ca/formspubs/menu-eng.html. Many can now be filled in online, printed out, and mailed in.

A. Getting Charitable Status

T3011	Application for Designation as Associated Charities
T2050	Application to Register a Charity under the Income Tax Act
T2095	Registered Charities: Application for Re-Designation
T4063	<i>Registering a Charity for Income Tax Purposes</i>

B. Operating Day to Day

T3011	Application for Designation as Associated Charities
XE8	Application for Refund of Federal Excise Tax on Gasoline

IC78-10R4	<i>Books and Records Retention/Destruction</i>
T4033B	<i>Completing the Registered Charity Information Return</i>
IT-64R4	<i>Corporations: Association and Control</i>
IC97-2R9	<i>Customized Forms</i>
IT-407R4	<i>Dispositions of Cultural Property to Designated Canadian Institutions</i>
IT-226R	<i>Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust</i>
IT-288R2	<i>Gifts of Capital Properties to a Charity and Others</i>
IC84-3R5	<i>Gifts to Certain Charitable Organizations Outside Canada</i>
P113	<i>Gifts and Income Tax</i>
IT-244R3	<i>Gifts by Individuals of Life Insurance Policies as Charitable Donations</i>
IT-297R2	<i>Gifts in Kind to Charity and Others</i>
S7-F1-C1	<i>Split-Receipting and Deemed Fair Market Value</i>
RC4082	<i>GST/HST Information for Charities</i>
IC75-23	<i>Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools</i>
S1-F5-C1	<i>Related Persons and Dealing at Arm's Length</i>
T3010	<i>Registered Charity Information Return</i>
T2094	<i>Registered Charities: Application to Reduce Disbursement Quota</i>
IC77-6	<i>Registered Charities: Designation as Associated Charities</i>
RC4106	<i>Registered Charities: Operating Outside Canada</i>
T1240	<i>Registered Charity Adjustment Request</i>

C. Keeping Charitable Status

T4118	<i>Auditing Charities</i>
T2093	<i>Contributions to a Candidate at an Election—Information Return</i>
T2092	<i>Contributions to a Registered Party or to a Registered Association—Information Return</i>
T2140	<i>Part V Tax Return—Tax on Non-Qualified Investments of a Registered Charity</i>
T913	<i>Part XI.2 Tax Return—Tax for the Disposition of Certain Properties</i>
T2046	<i>Tax Return Where Registration of a Charity Is Revoked</i>

D. Charitable Organization Reporting

There is a cost to the Canadian public of supporting charities (for example, charities pay no corporate income tax and individuals are allowed to deduct a portion of donations from their tax liability, decreasing tax revenue collected by the government). The Canadian government has defined what areas have sufficient advantage for the Canadian public to warrant the public cost of supporting charities. Canadian charities are

registered under one of four charitable purposes. All the work a charity takes on must be related to its registered purpose.

To monitor and evaluate how the cost of supporting charities continues to benefit the public, the government has a system of reporting and control for Canadian charities, which is outlined in the Income Tax Act. All Canadian charities have to meet their obligations under the Act. Canada Revenue Agency is charged by the Canadian government to ensure charities comply with these obligations. CRA has a four-tier approach to managing this part of its mandate:

1. **Assisting charities in understanding and meeting their obligations voluntarily:** CRA has recently implemented a number of educational outreach programs to help charities, including “on the road” seminars and a help line. The CRA website also has a host of resources.
2. **Helping charities work through compliance issues:** CRA is committed to providing expertise and knowledge to help charities.
3. **Identifying compliance issues through audits:** The CRA has the right to send an auditor to ensure charities are meeting their obligations. The auditor will examine all aspects of the charity’s work, including recordkeeping, financial management and reporting, and income tax receipting. Any compliance issues identified are pointed out to the charity and discussed. In many cases charities, particularly those that are smaller and operate with a volunteer base, are simply unaware that their practices are not in line with requirements.
4. **Enforcing compliance:** While education and assistance are primary strategies, the CRA is responsible for enforcing compliance. In these instances the CRA usually identifies the issues in writing and provides a deadline for the charity to address them. Charities that do not address compliance issues can face penalties ranging from fines to revocation of their charitable status.

E. Top 10 CRA Compliance Issues

In a recent seminar the Director General of CRA identified the top 10 compliance issues for charities.

1. **Incorrect tax receipting.** This ranges from incorrect content on the receipt to issuing tax receipts incorrectly. Sometimes churches face more complicated situations than a straightforward cash gift given freely for the church’s work and for which a tax receipt is issued. These might include tax receipting for items provided for a silent auction, tax receipting for fundraising dinners or tournaments where the participants receive a service, receiving gifts of property, and so on. Often interpretation bulletins on the CRA website will provide information on the rules for tax receipting in complex situations.
2. **Failure to file T3010 or late filing of T3010.** This is the single biggest compliance issue for charities. The T3010 is the form filed with the CRA each year by charities within six months of the end of their fiscal year (for churches the deadline is June 30). It is the single most important way for charities to account to the CRA for their

- activities. Late filers are subject to a financial penalty. Failure to file can result in the revocation of charitable status.
3. **Incorrect information on the T3010.** The CRA has identified line 5000 (charitable program expenditures) as the most frequently missed line on the T3010. The CRA provides a guide, online support, and a telephone help line (1-800-267-2384) to assist charities in completing the form correctly.
 4. **Non-charitable activities.** As charities evolve and grow, they may take on new activities or programs. Each new activity must be evaluated and linked to the charitable purpose.
 5. **Gifts to non-qualified donees.** Qualified donees, for the purposes of churches, are other registered Canadian charities. Canadian charities can give gifts to other Canadian charities that have also met CRA requirements. Charities should assure themselves, by checking the CRA website, that the Canadian charitable organizations they are giving funds to are in good standing. Churches are asked to provide a detailed list of qualified donees, including their CRA charitable numbers, on the T3010.
 6. **Failure to maintain direction and control.** In some limited instances (for example, overseas work), Canadian charities may support organizations that are not qualified donees. In these cases, because these organizations do not report to the CRA, a new level of scrutiny and control by the charity comes into play. The CRA expects all charities to exercise management and control of funds and to assure themselves the funds are being used to support what has been agreed to be the charitable work of the Canadian charity.

In these cases the Canadian charity must document

- how the work being done meets the charitable purpose
- how the Canadian charity will assure itself the funds are being used only to support that charitable purpose

The documentation must be sufficient that the CRA could assure itself, through an audit, that no misuse of Canadian charitable funds is possible.

Critical pieces of documentation are

- a written agreement that specifies the work being supported, how that work meets the charitable purpose, and sufficient reporting requirements to assure the CRA the Canadian charity can be sure funds were used as designated
 - records that demonstrate the agreement was implemented and monitored appropriately
7. **Fundraising.** The CRA has been consulting with charities on a policy paper clarifying acceptable practices for fundraising and reporting on fundraising. In brief, the CRA expects charities to manage and control their fundraising expenses so they are reasonable and proportionate to the charitable activities being carried out. The CRA understands that a charity spending excessive amounts on fundraising may not be spending sufficient funds on its charitable activities.

8. **Political purposes and activities.** Charities cannot carry out partisan political activities. They can carry out educational activities around political issues. For example, a charity may host an all-candidates meeting as an educational service to the public. It may not host an event where one political party presents a partisan viewpoint. A charity may urge the public to participate in an election, but it may not support a particular political party in the election.
9. **Unrelated business activities.** Charities can carry on limited business activities if these are subordinate to their charitable programs. Among other things, a charity must be able to show that its charitable purpose, rather than the business activity, dominates its decision making and that the business activity received a minor proportion of the charity's attention and resources. For example, a church may rent out its parking lot during the week to a nearby business, and use the lot itself on Sundays.
10. **Fraudulent tax receipts.** Income tax receipts are legal documents that give individuals a financial benefit. Charities have an obligation to protect and control their tax receipts and assure themselves these are being used appropriately. Charities can only support their own charitable work. This is to prevent charities from using their favourable status to support work they are not directly engaged in. It is absolutely forbidden for charities to act as a conduit for funds, whether they issue tax receipts for that work or not. For example, a church may be approached by a community group that is not a registered charity, asked to receive funds and issue tax receipts for the group, and then turn the funds over to the group. The church has no other involvement in the program. Even if the church is sympathetic to the group's work, if it is not part of the church's charitable work, the church may not accept gifts and issue tax receipts.

9. Paying Taxes

This chapter contains a fair bit of detail that is not needed by over 90 percent of congregations in Canada. Pastoral charges are generally exempt from income tax and property tax on the church itself, and usually do not need to register for GST/HST. Most pastoral charges can simply focus on ensuring they maintain and claim any tax exemptions or rebates and ignore the convoluted rules aimed at much larger organizations.

We recommend you read the details here once to see if any of them apply to your situation.

9.1 Taxing Church Income: We Are Exempt

Churches are among the broad range of organizations whose income is exempt from income tax by federal and provincial governments.

Groups Exempt from Income Tax

- non-profit clubs and associations
- some organizations such as chambers of commerce, boards of trade, and agricultural organizations
- labour and political bodies
- provincial or municipal corporations
- low-cost housing corporations
- playing music, making visual presentations, and an ever-increasing number of other uses
- pensions or other trusts

The “income” of a non-profit organization may come in the form of donations, grants, interest payments, rent, and other payments for goods and services. However, that income cannot be spent in the same way it might be spent by a for-profit organization. A non-profit organization cannot spend its funds to earn more “income” or profits, but only to fulfill the public good written into its mandate.

For congregations that have charitable status, the major responsibility is to maintain their charitable status. Section 8: Maintaining Charitable Status provides specific information on how to do this.

9.2 Property Tax

Congregations do not “own” the property on which their church stands. The property is instead held “in trust” for The United Church of Canada according to the Model Trust Deed in *The Manual* (see www.united-church.ca/handbooks for the “Model Trust Deed” download). In this way, each congregation of the United Church theoretically owns property nationwide.

However, the local congregation is the body with whom local government communicates about assessment for property taxes, lot levies, user fees for services, utilities, and fines for breaches of bylaws.

In terms of congregations as property owners, assessment and taxation practices vary widely across the country. Pastoral charges and related bodies that are reviewing their own specific situations need to examine local bylaws to determine exactly how they are treated.

In general, church properties are exempt from or pay minimal property tax. However, if parts of your building are devoted to non-religious purposes, many municipalities choose to levy property tax on a pro-rata basis.

9.2.1 What Taxes?

Local governments may generate revenue through

- flat-rate water or utility charges
- special levies on assessed property
- mandatory user fees for services such as garbage pickup, parks, and recreation
- licences or fees related to regulated activity
- lot levies on new developments to fund local infrastructure costs
- call-out charges for police, fire, or ambulance service
- fines for breaches of bylaws

There are two types of property tax assessments: (1) general and (2) special levies or assessments, which generate revenue to finance particular projects. Local officials may circulate detailed assessment notices to all occupants of assessable properties, even those that are indirectly affected, or they may issue general summaries only to the owners of property.

A municipality is likely to place a congregation’s properties on the tax-exempt list or to provide tax relief on general property taxes. It is least likely to do this on user fees. Practice varies on specific levies. Congregations are wise to monitor local developments. In some areas, municipalities routinely review their assessment rolls and issue assessment notices to all ratepayers, including churches. A congregation that receives an assessment notice in a routine review may wish to confirm with local officials that it remains on

the municipal list of exempt properties. Being exempt from property tax at some point does not necessarily mean a congregation will always be exempt from property taxes on buildings used for church-related purposes.

9.2.2 On What?

The basis for taxing property is its use, not its ownership. Local officials provide categories of use in planning or assessment bylaws or in the more specific wording of zoning and tax bylaws. Because the basis for taxing a property or exempting it from taxes is use, it is crucial that the activity that goes on in church properties be scrutinized.

In all provinces, congregational or church-related properties are exempt from property tax if they are used as “places of worship” or “cemeteries.” Despite the narrow terms used in the law, congregations can use their properties for other religious purposes without jeopardizing the tax-exempt status of their property—for example, for Christian education, fellowship, and service or outreach activity. This is true even if the municipality classifies a building’s official use as community recreation or cultural usage for assessment purposes.

Using other properties for religious purposes is more complicated. Residential use is generally taxed, so manses are taxed in most provinces. Some programs—midweek groups or recreation programs, for example—may look very much like programs run by non-church groups, whose use of properties is taxed. In municipalities that tax properties used for recreation or by private clubs, local authorities may not distinguish between churches and private clubs for the purposes of taxing properties.

Congregations may also find their property taxed in areas where authorities tax service and education activity, such as daycare, Montessori schools, tutoring, retraining, or economic development work. Congregations may also be taxed on some of the uses of buildings used for both religious and non-religious purposes. For example, in some communities, congregations have redeveloped their properties to provide for both non-profit and commercial uses in addition to the traditional religious use. Congregations that do this increasingly find that they do not escape property taxes on “non-religious” uses of their property.

9.2.3 For What?

Local revenues pay for local government services: planning and development, roads, utilities, emergency fire, police, public health, environmental, sewer, solid waste disposal, and a range of local recreational or general civic activity. Local revenue is supplemented by provincial and federal government grants in transfers that are often called the “MUSH” (municipalities, universities, schools, and hospitals), and “grants-in-lieu” (of taxes) paid by Crown bodies.

The funding of education or social services remains the key variable in local taxes. Each province allocates the tax burden of financing these activities differently, with some

relying more on general revenue sources and less on local property taxes, and vice versa. Local school boards and councils exercise some discretion. Different ways of building their budgets determine the total tax burden, the rate, and the base in general or specific levies.

The “downloading” of work and responsibility from provincial to local governments puts additional pressure on municipalities to raise more money. So, properties that have been exempt from the local tax base, including congregational properties, are under review, especially where congregations also depend on the services that are supported by local revenues.

The property tax is for municipal purposes. The exemption is intended to serve parts of the municipality’s mandate, creating good, livable communities. Some activities that municipalities now finance were formerly delivered in and through congregations—for example, social services and recreational, cultural, and educational activities. Historic tax exemptions on congregational properties never did catch up with the fact that responsibility for funding and delivering these services to the community shifted from churches to governments.

9.2.4 Complying with Property Tax

The law requires three things of churches as property owners:

- that they disclose the actual use of their properties
- that they not undertake new activity prohibited by zoning or licensing bylaws
- that they pay—or appeal—their tax assessments

Local officials interpret the law and exercise considerable discretion on assessment and on penalties or the tax consequences of non-compliance.

Congregations should identify their local property tax obligations or their full or partial exemptions. Local pastoral charges are best equipped to monitor and respond to new municipal revenue claims made on congregations.

If a pastoral charge holds title to a manse, it qualifies for tax assessment, even in Newfoundland. Setting an accurate value on a manse for assessment purposes is a critical first step in property taxation. Good citizenship requires that pastoral charges either challenge an excessive assessment or volunteer accurate information on property improvements that might require reassessment of a property that is undervalued.

If a pastoral charge or other church body holds title to other land and buildings, these are likely assessable even if they are tax-exempt under provincial legislation. Again, setting an accurate value on the property is a critical first step. Keeping an eye on the assessed value over time is also key. When a congregation is taxed on part of its property because of non-traditional use of that part, the base assessment is a key to tax payable.

If the type of land and building is exempt by provincial legislation, the exemption may be limited depending on who owns the property and how it is used. Exemptions from land transfer taxes may similarly be based on one party to the transfer being eligible, and on the use being eligible for the exemption. Congregational leaders should be aware of the effect of those decisions on tax exemption when they are deciding on use or disposition of property.

Congregations and other church bodies will sometimes need to consult the Conference or General Council offices, local officials, and a lawyer familiar with this field. This is especially true when their buildings are being used for purposes that are not really religious and that involve private or third-party uses. A familiar example in church circles is developing a housing project in which the relationship of the pastoral charge to the project is closer to landlord/tenant than to anything else.

Use of Space and Exemption Status

Renting congregational property to non-church groups or even to small businesses is increasingly common as pastoral charges try to address their budget challenges. Congregations should not knowingly evade paying taxes. Using terms such as “space sharing,” “honorariums,” or “donations” for what is actually rent does not solve the problem. Take care in describing your relationship with non-church users of your property. You may want to consider the amount of tax that may become payable on extra income derived from renting church space and calculate those payable taxes into the rent charged.

Charging for the use of church space by non-church organizations must be done in a consistent way. Differential treatment could lead to questions about the church’s charitable status.

9.3 Taxes on Transactions (PST, GST, HST, QST)

Transaction taxes vary in structure and enforcement across the country, but are generally

- payable by the buyer and collected by the seller for remitting to government
- applied at points of sale where price and parties are identifiable at the “till” or on the “bill”
- extended to services and to professional service only in recent years
- applied at a percentage rate of the price paid

The major transaction taxes include provincial sales taxes and the federal Goods and Services Tax (GST). Recent developments show an increasing trend toward a unified tax structure combining sales tax administration with GST. Four participating provinces (Nova Scotia, New Brunswick, Newfoundland and Labrador, and Ontario) harmonized their provincial sales tax with the GST to create the harmonized sales tax (HST). HST obligates the federal and provincial governments to harmonize their legislation and

regulations to share the administrative costs. The harmonized tax applies to the same base of goods and services as the GST. Its rate is a combination of the federal GST and provincial sales tax. In Quebec, Revenu Québec (RQ) administers GST/HST in addition to the Quebec Sales Tax (QST).

Generally speaking, the move to the HST—so far—has not increased the tax burden for churches. Indeed, in Ontario the rebate is more generous.

Congregations pay all of these taxes, but tax rebate programs exist for congregations on the sales taxes paid. Also, a limited number of goods are simply tax-exempt—particularly those for worship itself. Relief from these taxes and exemptions arise in several different ways:

- Our goods and services are of types that are hard to identify or to give market value to.
- Congregations are exempt from registration in the GST system and from collecting and remitting taxes on their transactions when the transactions are irregular, occasional, and small-scale. They are also exempt on services (such as craft sales) provided by volunteers.
- Some types of goods and services, such as religious literature and sanctuary furnishings, are exempt from tax. Congregations are also eligible for tax rebates on some specific uses of taxable goods, such as relieving poverty.
- Rebate or partial rebate programs, such as the GST 50 percent rebate for charities, recognize that GST paid by the congregations will not be used for input tax credits on remittances.
- Land transfers are exempt only if the purchaser and the proposed use are charitable.

The case in favour of the exemptions churches currently enjoy is simple: administrative efficiency and the expense of collecting taxes on services offered by congregations. Congregations operate in small units in non-market contexts where it is difficult to put a market value on the services and to enforce payment. Even where some of the public opposes the exempt status for churches and their services, the case can still be made that tax relief is appropriate because churches are selling goods or services to raise funds for religion or charity, both of which are still charitable activities that have broader support.

In some situations a congregation's ability to sell goods without imposing taxes is increasingly contentious. This is true in communities where the congregation rents or provides some of its goods and services to a small business, which gains a commercial advantage that is not available to other businesses. For example, a congregation may rent space to a daycare operator, who may be able to offer daycare at a lower rate than operators using commercial space. Other examples include renting space for parking, catering, and a range of fundraising and recreation or private educational activities. This situation tends to be an irritant to local businesses. Enforcing the letter of the law is not aggressive in this area at this time.

9.3.1 Paying Transaction Taxes

Most congregations simply do not get into the types or volumes of sales or services that require them to register for a GST number and the full reporting that goes with it.

In the rare situation where a congregation registers in the GST system or as a vendor in a sales tax system, it must

- keep records
- provide reports
- remit taxes

Because so many different individuals carry out the activities of the congregation that involve sales taxes, it is easy to fall into unintentional tax avoidance from sheer lack of awareness—for example, unintentionally assisting a vendor who should be paying taxes on the goods or services provided.

Scrupulous attention to transaction taxes can be administratively cumbersome for everybody. Congregations may rely on contractors to calculate applicable taxes and the appropriate tax relief when they bill the congregation for work done. Congregations that have not registered in the GST system, however, may still claim the 50 percent GST rebate.

Acting as Buyer

Congregations routinely pay most transaction taxes. They pay taxes on the physical supplies for their buildings and offices, as well as on utility supplies. These taxes are part of the bills we pay because both buyer and seller assume they apply to congregations. Congregations may also be affected by the business taxes, licences, and other measures that generate revenue for local governments—for example, inspection fees on manses or sanctuaries.

Some goods sold to congregations are defined as tax-exempt in provincial legislation.

Many congregations are unaware of the provisions of the law and are unlikely to take full advantage of the tax relief offered. Private tax consulting firms can assist you in determining which rebates you should pursue. However, these firms charge significant fees.

Acting as Seller

The primary services congregations provide are not taxed; they are either implicitly outside the tax plan or are explicitly exempted. This is because these services cannot be given a clear market value and are carried out by small local units in irregular transactions. For example, the GST includes three kinds of exemptions that apply to the congregation:

- exemptions for volunteer work (as in a pancake supper)
- nominal consideration (as in the proceeds of a bake sale)
- relief of poverty (as in a thrift shop)

Provincial legislation makes similar exemptions, citing such factors as

- the sales are not advertised to the public
- they are not competing with another vendor
- the sales do not occur weekly or monthly (e.g., it is a rummage sale rather than a commercial flea market run every Sunday)

9.3.2 Changes to the Goods and Services Tax

The rate for the GST is now 5 percent and the rate for the HST—if applicable—varies by province.

GST rebates of 50 percent can be claimed twice a year by filing with the appropriate government office. If HST applies, the rate is higher. If you have not been filing for rebates, you may file for up to the past four years.

GST or HST can be claimed on the amount reimbursed to employees or volunteers for kilometres driven by applying the factor 5/105 to the payment in provinces where GST applies, and the factor 13/113 in Ontario where HST applies.

For miscellaneous expenses such as meals and taxi fares that would normally have GST or HST included in the total, apply the factor 4/104 for GST and 12/112 for HST. The rebate would then be 50 percent of the amount calculated.

Province	On or after October 1, 2016	July 1, 2016 to September 30, 2016	April 1, 2013 to June 30, 2016	July 1, 2010 to March 31, 2013	January 1, 2008 to June 30, 2010
Alberta	5%	5%	5%	5%	5%
British Columbia	5%	5%	5%	12%	5%
Manitoba	5%	5%	5%	5%	5%
New Brunswick	15%	15%	13%	13%	13%
Newfoundland and Labrador	15%	15%	13%	13%	13%
Northwest Territories	5%	5%	5%	5%	5%
Nova Scotia	15%	15%	15%	15%	13%
Nunavut	5%	5%	5%	5%	5%

Ontario	13%	13%	13%	13%	5%
Quebec	5%	5%	5%	5%	5%
Prince Edward Island	15%	14%	14%	5%	5%
Saskatchewan	5%	5%	5%	5%	5%
Yukon	5%	5%	5%	5%	5%

Canada Revenue Agency, "GST/HST calculator (and rates)," accessed December 2016 from www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rts-eng.html#rt.

Gross Revenue Test

Very few churches need to register for GST/HST purposes. Charities whose gross revenue is \$250,000 or less in either of their previous two fiscal years are automatically not required to register, regardless of the amount of their total goods and services. The majority of churches with income over \$250,000 are not making more than \$50,000 in taxable goods and services and therefore should not be registered. Of course, charities meeting this test would continue to be entitled to claim a 50 percent rebate of the GST paid.

Gross revenue includes all sources of revenue (donations, grants, property income, investment income, and related business income) and is defined in the same way it is defined for income tax purposes (i.e., it has the same meaning as gross revenue for purposes of form T3010).

A charity does not have to register for GST purposes if it meets either of two conditions:

- The charity's gross revenue for either of its previous two fiscal years was \$250,000 or less.
- or
- The charity meets the existing small supplier test—that is, it makes less than \$50,000 in goods and services. Virtually all churches meet this test. Rentals do not count.

For GST purposes, a "charity" is defined as a "registered charity" under the Income Tax Act. It must have a registration number, and that number must not have been revoked. As such, the charity is entitled to recover a rebate of GST paid on all expenses, except where an input tax credit has been claimed. Each pastoral charge that currently is a registered charity for income tax purposes with a valid registration number is automatically a charity for GST purposes.

For these rare instances where a church has had to or chose to register for GST, there is a required GST calculation method for churches (with some exceptions).

These special cases must use a special method to calculate the net GST remitted for goods and services. This method is compulsory unless the charity makes all or substantially all taxable sales (at least 90 percent of total revenues are taxable), or it makes zero-rated goods and services and it elects not to use the method.

It is unlikely that churches qualify under these exceptions, so the special method must be used. Under this method, the church continues to collect GST on goods and services it provides other than for religious purposes, but it is only required to remit 60 percent of the GST collected (with certain exceptions). Correspondingly, the church can no longer claim a 100 percent input tax credit on the goods and services; this is replaced by a 50 percent rebate.

Separating the Harmonized Sales Tax

Congregations and pastoral charges in Newfoundland and Labrador, Nova Scotia, New Brunswick, and Ontario should be prepared to separate the federal and provincial portions of harmonized sales taxes in order to claim back their appropriate rebates.

Should You Register for GST Purposes? Usually NO

If the congregation or pastoral charge has no commercial activities and only receives donations, gifts, grants, and subsidies, there is no reason to register. It is still entitled to claim its 50 percent rebate.

If the congregation or pastoral charge is heavily into commercial activity, the volume of GST taxable transactions is over \$50,000 per annum, and the gross revenue exceeds \$250,000, then it must register.

9.3.3 Registering for GST Purposes

If commercial revenues have been determined to be in excess of \$50,000 and gross revenues exceed \$250,000, or if the congregation or pastoral charge wishes to register despite qualifying for the exemption, contact the local GST office to request a registration form. Note that a congregation or pastoral charge must have some commercial activity to be eligible to apply for voluntary registration.

Registrants are required to

1. collect GST on all commercial sales subject to GST
2. show their registration number and the amount of GST charged on all invoices for commercial sales
3. remit the GST on a regular basis

To meet the second requirement, new invoices don't have to be purchased—a rubber stamp with the number and a space for the amount of tax is acceptable.

Non-Registrant—Most of Us!

Non-registrant charities or pastoral charges may claim a rebate of 50 percent of GST paid on purchases for all charitable activities. It is not necessary to be registered with the GST to claim this rebate, but the pastoral charge's charitable registration with CRA must be valid.

Form GST 189 can be obtained from the local GST office or downloaded from the CRA website (www.cra-arc.gc.ca/E/pbg/gf/gst189/README.html). This form comes with a guide that explains how to complete it. The GST office will assign a rebate number and send a new form for each successive filing. Completing the form is relatively simple if the accounting books and records readily show the GST amounts paid.

All purchases on which tax has been paid are eligible for the 50 percent rebate and include

- general operating expenses such as rent, utilities, office equipment, and supplies.
- reimbursement of employees' and volunteers' expenses that include GST (these can be subject to certain limitations).
- purchases made for the goods and services the pastoral charge offers (commercial activity) for which it is not required to collect GST because it is a small supplier (under \$50,000 rules).
- miscellaneous small expenditures (e.g., meals, taxi fares) that will normally have GST/HST included in the total. The GST component may be calculated at 4/104 or for HST 12/112 times the total payment. The rebate is then calculated at 50 percent of this.

GST can also be extracted on the amount reimbursed to employees or volunteers for kilometres driven by applying the factor 5/105 to the payment. Again, the GST rebate is 50 percent of the amount calculated. The rebate on a travel allowance can only be recovered if the allowance paid is based on actual kilometres driven.

Payments based on a fixed dollar amount per month do not qualify for a GST rebate.

To calculate the GST rebate on all other purchases used in exempt activities, take 50 percent of the GST that you have been charged. The amount of GST, along with the vendor's GST registration number, should appear on your supplier's invoices.

Registrant—Very Rare for Congregation

Congregations or pastoral charges registered for the GST file two forms on a monthly, quarterly, or annual basis: Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund (form GST 66) and GST/HST Return for Registrants (form GST 34).

Key information to show on these forms includes

- Sales and other revenue.

- GST collected and collectible on commercial activities.
- Adjustments to the GST collected and collectible (retention of 40 percent).
Input tax credits (100 percent recovery of GST paid on purchases and expenses relating to the taxable activities of the congregation) are no longer available to registered charities. They are replaced with a 50 percent rebate. To compensate for this, only 60 percent of the GST collected need be remitted; 40 percent is kept by the charity.
- GST rebates on all purchases and expenses incurred by the registered charity, regardless of whether the purchases and expenses relate to taxable activities or exempt activities. The rebate is 50 percent of the GST paid.

Virtually all charities will be claiming a refund on filing (since rebates normally exceed GST collected). Note that the time limit for claiming GST rebates is four years for charities, or two years if total taxable revenues exceed \$6 million per annum.

9.3.4 Revenues and Commercial Activities

Most of the sources of income for congregations or pastoral charges are not subject to GST. Examples include

- personal and corporate donations
- government grants and subsidies
- fees for research, counselling, rehabilitation, education, and social services

In addition, charities are granted three broad exemptions under which the provision of otherwise taxable goods and services, other than a sale of real estate, is NOT subject to GST:

- A charity that qualifies as a small trader (annual sales of GST taxable goods and services under \$50,000) does not have to collect GST on its sales unless it has opted to register under GST. If a charity has distinct branches or divisions, each branch or division may apply to be treated as a separate entity for this purpose.
- GST does not apply to goods or services provided for a nominal charge if it is reasonable to expect that the nominal charge will not cover the direct costs (excluding labour, capital, and overhead costs) incurred for those goods or services. Nominal charge is defined as “less than direct costs.”
- Providing food, drink, or accommodation to relieve poverty, suffering, or distress does not attract GST. If any of these three exemption conditions is met with respect to particular goods or services, GST does not apply. At all times, however, the exemption rules do not affect transactions in real property by the charity.

Commercial activities include the following:

Rental of Facilities

All rentals of church facilities are now GST-exempt, including the following situations:

- rental of church facilities where the tenant has full, continuous, and exclusive use of the space
- rental of a gymnasium or meeting room for one evening a week by groups such as Scouts, an adult athletic association, or a group of retirees
- rental of space for five days each week during business hours by a school or daycare
- rental of the sanctuary for a portion of each Sunday by another church
- one-time rentals of space for a wedding reception, meeting, or other non-repetitive function
- rental of parking spaces

Services Rendered by a Minister or Church Employees

Fees to be directed to employees of The United Church of Canada for services rendered (e.g., weddings, funerals) are considered honoraria or job-related income and are therefore not subject to GST. But job-related income is subject to CPP and EI deductions. However, if someone is considered self-employed (e.g., organist) and is a registrant under the GST, that person must charge GST on the value of the services rendered.

Seminar and Conference Fees

Fees charged for seminars, conferences, meetings, and conventions are exempt from GST.

Admission to Amateur Performances

Admissions are exempt where at least 90 percent of the performers are volunteers and receive no remuneration.

Fundraising Dinners

The entire price of the ticket is GST-exempt. (At one time, only the portion for which the pastoral charge issued a tax receipt was exempt.)

Recreational Services

Any fees for a recreational program conducted by the church are GST-exempt provided the program is primarily for one of the following:

- children aged 14 and under (except where the program involves overnight supervision throughout a substantial portion)
- underprivileged or mentally or physically challenged individuals

Daycare Services

Fees for daycare services provided by a pastoral charge primarily to children 14 years of age and under are exempt from GST.

Catering Services

Catering services provided by a pastoral charge are exempt from GST.

9.3.5 Filing

All registrants are required to file a GST/HST return for each reporting period, even if no money is to be remitted or refunded. Filing frequency can be monthly, quarterly, or annually. The rest of us just claim our rebate once or twice a year.

Books and Records

Under the GST, accounting records and systems have to be modified somewhat to allow for recording the GST collected, the GST paid, and rebate claims (whichever is applicable). At the end of each filing period, the books must provide enough information to determine how much GST has been charged and paid, as well as the amount recoverable through rebates.

Purchase Invoices

Sales records and invoices must be kept to support claims for the 50 percent GST rebate. Suppliers registered for the GST provide invoices indicating their GST registration number and other required information. These records must be kept for six years and made available to CRA Excise auditors on request.

Remittances

Cheques for GST should be made payable to the Receiver General, and your GST account number must be noted on your cheque. Remember that it is not necessary to remit all GST collected. Only the net amount of tax—the difference between 60 percent of the tax collected, less the amount of the rebate—need be remitted.

Administrative Provisions

The administrative provisions of the GST dealing with record retention, audits, penalties, assessments, collections, objections, and appeals parallel those in the Income Tax Act and the Excise Tax Act. The GST legislation contains a general anti-avoidance provision and penalties for evasion, failing to file a return as and when required, and willful failure to pay, collect, or remit tax.

9.4 CRA GST References and Forms

- GST/HST for businesses, charities, and public service bodies overview: www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/menu-eng.html
- RC4082: *GST/HST Information for Charities* (www.cra-arc.gc.ca/E/pub/gp/rc4082)
- GST rebate process:
 - GST66 Rebate application form: www.cra-arc.gc.ca/E/pbg/gf/gst66/README.html
 - RC7066-SCH: *Provincial Schedule—GST/HST Public Service Bodies' Rebate* (www.cra-arc.gc.ca/E/pbg/tf/rc7066-sch)

Remember, most churches do not need to register for ongoing reporting and can simply apply for the applicable rebate.

10. Refugee Sponsorship

10.1 Sponsoring Refugees: A Charitable Act

The Sponsorship Agreement, which The United Church of Canada signed with the Government of Canada, clearly states that the Sponsorship Agreement Holder (The United Church of Canada) and its constituent groups (congregations or ecumenical sponsorship committees) will not profit financially through the sponsorship of refugees. The church responds to God's call for justice when it meets a refugee's need for protection or a durable solution with the commitment of private refugee sponsorship.

Congregations cannot charge fees, expect contributions, or demand or accept repayment from refugees for the act of private sponsorship. Privately sponsored refugees have no legal obligations and cannot be made to enter into a legal obligation or to prepay or repay their sponsors for lodging, care, and settlement assistance. The refugee's relatives in Canada or abroad may contribute funds to the resettlement, but they must not expect reimbursement (financially or in kind) for doing so from the sponsored refugee.

10.2 Basic Commitment

When submitting a private refugee sponsorship, congregations commit to having sufficient resources to support the privately sponsored refugee(s) for the period determined in the undertaking (contract), normally 12 months. Submitting the sponsorship undertaking means the congregation is legally responsible for the financial and moral support of the refugee(s). Submitting a co-sponsorship commits the co-signers to shared responsibility for the sponsorship.

Depending on the type of sponsorship, you may have several months (Visa Referred) to several years (Sponsor Referred) to compile the funds. The level of support sponsors are expected to provide is equal to that of the prevailing rates for provincial/municipal or social assistance in the community the refugee is expected to settle in. However, the sponsor may find that additional funding is needed for accommodation or health and dental care. When possible, it is advisable that sponsors equip and encourage privately sponsored refugees to manage their own budget.

10.3 Ensuring Charitable Status of Donations

The Canada Revenue Agency advises that a congregation can use its registered charity tax number to give receipts for donations to its refugee support fund, provided the church board has decided that refugee sponsorship is a mission of the congregation. The refugee fund therefore operates as a benevolent fund (see section 5.8).

The congregation must exercise direction and control of the receipted donation and must ensure it is not acting as a conduit. See the CRA website for more detail on receipting guidelines: www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/ntrmdry-eng.html#N1020D.

Congregation and community members may support the refugee fund if the following steps are followed:

1. The board by formal motion must endorse or affirm that “refugee sponsorship is a mission of the congregation.”
 - Use the term “refugee sponsorship.” This is a broader commitment than support to specifically named refugees.
 - The motion can indicate that sponsorship depends on a specified amount of money being raised.
2. The board must designate a budget line for refugee sponsorship and must oversee the distribution of refugee sponsorship funds. All money must be accounted for and transactions recorded.

The total sponsorship costs may be reduced through the donation of “in-kind” goods, which can include accommodation, furniture, and clothing. Such donations, when their value is independently and objectively verified, may be eligible to be recognized with charitable tax receipts.

10.4 Trust Funds

The sponsoring congregation may establish a trust fund. A donor to the trust fund can be an individual, a group, or an organization, but not the privately sponsored refugee or funds acquired from the refugee. The individual rights and obligations of the sponsor, trustee, and donor are set out in three different sources: provincial law, common law principles related to the law of trusts, and the Trust Deed, which is drafted by the donor to establish the terms of the trust.

The sponsor is responsible for ensuring that the terms of the trust fund, including the respective rights and obligations, conform to the laws of the province in which the deed is registered.

The Trust Deed must clearly outline the terms of the trust fund, which include the identity of the beneficiary, when and how funds will be disbursed, and the outcome of the funds should the beneficiary not arrive in Canada. The deed should also stipulate whether the trust fund is for a specific privately sponsored refugee (PSR) or is a general charitable trust fund for the sponsorship of any PSR.

In the event that the refugee is not accepted for resettlement in Canada, funds held in trust to sponsor that refugee, including all accumulated interest, must be returned to the donor.

10.5 Sponsor's Financial Obligations

Sponsors are only responsible for financial obligations they have agreed to in the sponsorship undertaking. They are not liable for debts the refugee incurs in Canada or before coming to Canada (e.g., travel loans). It is not advisable to send funds abroad to support refugees you hope to sponsor. Such support creates very unrealistic expectations.

In Canada, an exception might arise if a sponsor is approached to co-sign a rental lease; this may be needed until the newcomer establishes his or her own credit rating.

10.6 Privately Sponsored Refugees' Financial Obligations

Privately sponsored refugees with financial resources must contribute to their basic financial support. Those who have financial resources retain the right to manage their own finances and are not required to submit their funds to their sponsors to manage.

The standards for using personal funds and income revenue that apply to government-assisted refugees, described in Immigration and Refugee Protection Act Regulations (chapter 1P3), may be applied to privately sponsored refugees who arrive with personal funds or begin to generate income or receive entitlements after they arrive, unless the sponsor chooses to maintain a higher level of income support. This information can be verified with the Refugee Sponsorship Program staff at the General Council Office (416-231-7680 or 1-800-268-3781).

11. Congregations and Overseas Mission

At time of writing, there is much conjecture that the rules for charitable work may be updated to be more flexible. Until then, whether local or nationally sponsored, overseas mission work is subject to the fundamental CRA requirements that

- the sponsoring charity be able to demonstrate that the funded activity is its “own charitable activity,” and
- the sponsoring charity must be able to demonstrate “direction and control” over how the resources are deployed to meet charitable objectives

The United Church of Canada funds overseas mission through the General Council Office (GCO). This work is assigned to the Church in Mission Unit and is funded through Mission & Service offerings. Mission & Service allows stable support of critical programs of global partners. Support of Mission & Service is an essential part of maintaining United Church global mission programs.

Some congregations, in addition to supporting M&S, would like to send funds designated for global mission. Congregations who wish to designate gifts for particular global mission programs, global partners, or regions of the world may do so through a “supra” (or over-and-above) gift. The GCO can only accept gifts that meet the following criteria:

- The designation must be for an existing global mission program of the GCO (for example, emergency relief).

or

The designation must be for an existing program of a United Church of Canada global partner.

- Cheques for gifts designated for global mission should be payable to The United Church of Canada and forwarded to the GCO with a note or memo attached specifying the designation. (See section 5.9: Designated Gifts.)

Some congregations wish to establish a direct financial relationship with a project overseas. Those congregations directly funding work overseas must make themselves aware of their responsibilities as Canadian charities funding that work. Failure to do so can affect a congregation’s charitable status.

- Funds forwarded directly to overseas work must be reported on the T3010 Registered Charity Information Return.
- Funds disbursed by the charity, including those forwarded overseas, must support the charity’s purpose (United Church congregations are registered under the “advancement of religion”).
- The charity must be prepared to demonstrate that it continues to monitor and exercise a measure of control over the funds it disburses.

- The charity must be prepared to demonstrate that it has established reporting mechanisms that assure the charity funds have been spent as directed.
- Congregations should be careful to limit their liability in relation to the work being funded. For example, if funds are forwarded to assist with building a school or hospital, the congregation should be clear it does not own the building or have responsibility for future maintenance or other problems.

It is good practice to have a written agreement with the organization carrying out the work overseas. Canada Revenue Agency's CG-002, *Canadian Registered Charities Carrying Out Activities Outside Canada* (www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/tsd-cnd-eng.html), clearly outlines CRA expectations. A written agreement should at least

- identify the parties involved
- describe the project being supported and how that work "advances religion"
- describe the support being offered (for example, include a time or funding limit; this is where liability can be limited)
- explain how the project will report on the use of funds
- include signatures binding all organizations involved to the terms of the agreement

See also CG-004, *Using an intermediary to carry out a charity's activities within Canada* (www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/ntrmdry-eng.html).

Congregations directly funding work overseas must also be aware of the potential effect of Bill C-36, the Anti-terrorism Act. This legislation was passed in response to 9/11 and has serious implications for organizations involved in work overseas, particularly charities. Penalties can include the immediate revocation of Canadian charitable status.

Charities must assure themselves that the funds they have forwarded overseas do not knowingly or unknowingly support terrorism. It may be useful to include a clause in any written agreement that stipulates that funds cannot be used to directly or indirectly support terrorism or terrorist groups. The recipients, by signing the agreement, acknowledge the stipulation and agree to abide by it. If in doubt, contact CRA for further information.

12. Frequently Asked Questions

12.1 Charitable Giving and Congregation's Work

A. What if our congregation was asked to issue a tax receipt for a donation to a non-profit organization that is doing good work but does not have charitable status?

Don't do it. However worthy the project, the congregation cannot do that. The congregation can accept gifts only to support its own work and cannot funnel monies to a non-charity unless the church can assert "own charitable activity" and "direction and control." Another common request is for congregations to issue receipts for funds donated to cover the costs of tours to developing countries, which the donors plan to participate in. The law requires that gifts be gifts, and the portion of benefit or control retained or returned to donors be clearly identified and recognized.

B. We want to start a fundraising drive for a refugee sponsorship in our congregation. Can our congregation issue charitable receipts?

For a congregation to issue receipts, its board or session must decide that the refugee sponsorship project is an official congregation project for which it will take responsibility. Similarly, if a congregation wishes to undertake projects such as humanitarian or medical trips, the board must adopt the project by passing a motion. Passing a motion stipulating humanitarian or medical trips or refugee sponsorship as congregational projects enables congregations to take designated gifts and issue charitable receipts. The motion should not mention any particular individuals who will benefit from the project in question.

The board must also designate a budget line for the project and oversee the distribution of monies. Charitable receipts for funds received for support of the project can be issued. However, the congregation with the charitable status must remain in control of the project.

By allowing charitable receipts, donated services for refugee sponsorship such as dental services or breaks on rent can be considered charitable. Note that services are considered charitable only if those services are paid for and then the money is donated back to the charity (see question D).

C. What support can the United Church General Council offer to local congregations wishing to take on refugee sponsorship?

A United Church congregation wishing to start sponsoring a refugee or refugee family must first meet the requirements of the United Church and Immigration Canada to be allowed to sponsor the refugee(s). Contact the Refugee Sponsorship Program staff for full information (416-231-7680 or 1-800-268-3781). Briefly, a congregation must first pass a

motion approving the project (see question B). In consultation with the congregation, the General Council, as the Sponsorship Agreement Holder, will sign an agreement with the congregation binding them both to sponsorship. Financial support is available from the General Council Office only in a real emergency. There is also constant and useful help with negotiating the immigration process, and significant human and practical support through resources, training, and needed referrals.

D. Can I receive a charitable tax receipt for the contributions of my services to the congregation?

Strictly, no. A gift must involve property. Contributions of services such as time, skills, and effort are not property and therefore do not qualify. However, there is nothing to prohibit a charity from paying for services and then later accepting the return of all or part of the payment as a gift—provided it is returned voluntarily.

E. I would like to donate some funds to the congregation, but I want the donation to help a relative who is sick. Can I do this?

No, a charity may not issue an official receipt for income tax purposes if the donor has directed the charity to give the funds to a specified person or family. In reality, such a gift is being made to the person or family and not to the congregation. There are cases where a donor may specify where the donation should be used. If the donation provides no personal benefit, the directed gift does not benefit any person not dealing at arm's length with the donor, and decisions regarding use of the donation within a program rest with the charity, then a donor may specify where the donation should go.

F. I would like to donate to a foreign charity. Can I give my funds to my local congregation and ask them to send it to the charity so I can still claim a tax deduction?

You may donate money to any group on your own (provided that group is legal), but if you are hoping to receive an official tax receipt, this brings up other issues. A charity may not issue an official receipt for income tax purposes if the donor has directed the charity to give the funds to a non-qualified donee. Most foreign charities or foreign affiliates of Canadian charities are not qualified donees, so donations to such groups are not eligible for an official receipt. In any case, your congregation may be hesitant to donate to a foreign charity since this can increase the congregation's liability. If you would like to give directly, note that some foreign charities can issue official receipts for Canadian income tax purposes. Contact the Client Service section of the Canada Revenue Agency—Charities Directorate (see section 2.2).

G. Our minister is openly giving our congregation advice on which candidate to vote for in the upcoming election. Is this allowed?

No, a minister who asks the congregation to vote for a particular candidate is violating the regulations. This is clearly prohibited by the CRA's regulations on charitable status and political activity. Refer to section 8.8 for more details.

H. In recent years, we have heard rumours of mass audits of clergy tax returns. Are these true? Should we be worried?

No, you shouldn't be worried. These are generally routine reviews of a taxpayer's claim to verify that he or she is actually entitled to the deductions and the amount claimed. The matter is resolved routinely once the information is filed with the regional tax office. The instances of full audits are exceptions.

From time to time, congregations have their charitable status revoked for very simple administrative reasons: the congregation or mission unit closed, or it failed to file an annual return or to issue receipts. Virtually all church-related revocations have been administrative. The CRA has reinstated congregations that simply forgot to file their reports once the proper documents were filed. A fee of \$500 is imposed if re-registration is sought.

I. We are worried about terrorism and the money that our congregation sends overseas. What should we do to make sure it isn't used for the wrong purposes?

The Anti-terrorism Act, Bill C-36, has increased the penalties for violating the Income Tax Act or the regulations. However, congregations have always needed to be careful about how the money they send overseas is handled.

Organizations or churches in other countries are de facto "non-qualified donees" under Canadian law. Contributing directly to international development or mission projects in other countries requires due diligence. That is, congregations need to keep track of where and on what their money is spent.

These changes in the environment of the church need not stop people from contributing to international development and mission efforts of churches overseas. If in doubt, call Mission through Finance at the General Council Office: 416-231-5931 or 1-800-268-3781, ext. 4147.

J. What are the general requirements for a registered charity to maintain its registered status?

To maintain its registered status, a charity must continue to operate for charitable purposes and to comply with the requirements of the Income Tax Act. These requirements include

- devoting all of its resources to charitable activities
- operating for the benefit of the public and not for private gain
- following the requirements of the Income Tax Act when issuing official donation receipts
- filing a T3010 Registered Charity Information Return each year

The CRA conducts audits to verify whether charities are complying with these requirements. Charities that break the rules may be subject to financial penalties, suspensions, or revocation of their charitable status.

K. Is it acceptable to use the treasurer’s address when filing the T3010 Registered Charity Information Return?

No, the address used should be the actual address of the church. Sometimes treasurers use their personal address so CRA correspondence and forms come directly to them. However, treasurers come and go, and important correspondence from the CRA sometimes does not reach the church or the new treasurer. So, we recommend you use the church address for all CRA correspondence.

12.2 Congregation’s Income

A. Our downtown church has a large parking lot that is not being used most of the week. Are we allowed to rent out the space to recover some of the costs?

A charity is free to rent its space to other organizations, even though some for-profit companies may try to stop charities from doing so. CRA calls this kind of activity appropriate use of “excess charitable capacity.” The logic is that congregations don’t need to use their buildings or parking lots 24 hours a day for worship or Christian education, so they are free to use the excess capacity or their “charitable assets” to generate income for their ministry. The one hitch is that the rental income can be subject to property tax. Tax could be owed to the local municipality because the charitable property was used for purposes unrelated to the congregation’s charitable purpose (which is “advancing religion”).

Some congregations make a great deal of money by renting out their space; others make such a small amount that it’s basically a nuisance for their municipalities to try to collect it. Many municipalities actually express surprise that a congregation property was being used for something other than church use. So this is an area where experience varies all across the country.

The most responsible and legal step for your congregation to take is to build the taxes into the rent you charge and remit the tax with the property tax or other bills you owe to the municipality.

12.3 Financial Management

A. Should a financial statement include a balance sheet?

We strongly recommend you include a balance sheet as part of your financial statement. Full disclosure of all your financial matters reduces problems with the CRA and makes it easier to manage your books too.

B. When should we start deducting from the pay for casual staff?

Casual workers are generally considered employees. Refer to the CRA’s guidelines on

when a staff person is an employee or not. This means that in most instances CPP and EI deductions apply.

C. Is it OK for only one member of the congregation to count, record, and deposit the collection?

It is *not* OK for one member to control the congregation's donations. The offering must be kept in the custody of at least two authorized members of the board until the receipts have been counted, checked, and deposited. These people should be at arm's length. Every congregation should establish procedures for this important matter.

D. What is arm's length, and what does it mean for congregations?

"Arm's length" is a legal concept describing a relationship in which the parties act independently of each other. "Not at arm's length" includes individuals who are related to each other by blood, marriage, adoption, common-law relationships, or close business ties.

E. Is it necessary for our congregation to register with the Workplace Safety and Insurance Board (WSIB)?

Religious organizations are not required to register with WSIB; it is optional in most jurisdictions. For more information, see your provincial WSIB website or call the WSIB office in your province. Usually an organization would need to register all staff if at all. Most congregations choose not to register.

F. Where can I find information on the retention and destruction of books and records?

See IC78-10R4, *Books and Records Retention/Destruction* (www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/bks-eng.html).

G. What rules apply to electronic files?

Electronic records are subject to the same rules as paper records.

H. Our last treasurer has books and records from church and refuses to give them back to the church. What should we do?

The charity remains responsible for maintaining adequate books and records and for meeting its filing requirements. You may wish to consider legal action to obtain your documents from the last treasurer. Keep the CRA informed of steps you take.

12.4 Getting Audited

A. Why should a congregation have an audit?

There are a number of good reasons. An annual audit protects treasurers from unwarranted charges of careless or improper handling of funds; builds donors' confidence; sets good fiscal habits, which helps to facilitate changes in treasurer or other personnel; helps with administering gifts that have special conditions attached; and provides overview of sums received and expended.

B. What are restricted funds?

If a gift is accepted that can be used only for a specified purpose, that gift must be accounted for separately from gifts given to the organization for its general purposes. If restricted funds are used for purposes other than specified, the donor (or an heir of a deceased donor) may be entitled by law to ask for the gift to be returned, even years later.

An example of a restricted fund is a gift of \$15,000 that is to be used toward the purchase of an organ. Documentation for this restriction must be maintained in the congregation's records.

Another example is a gift of \$100,000 with instructions that the money is to be invested and only the interest income used to purchase music. In this case, the amount of \$100,000 is to be invested permanently as an endowment. Only the income from the gift can be used for the specific purpose stated, the purchase of music. In this case, these two types of assets should be reported separately.

Restrictions to gifts can be changed only with the written consent of the donor.

13. Glossary

13.1 Terms Specific to The United Church of Canada

annual Statistical and Information Forms

These forms (the “blue forms”) are sent every year to all congregations and pastoral charges to gather information on the activities and state of each United Church body.

church

“Church” is used in this handbook to refer to the broad institution that is involved in the charitable activity of advancing religion. This is unique from other charities. The terms congregation, pastoral charge, presbytery, Conference, and denomination are United Church–specific for this handbook.

committee of stewards

The committee of stewards is the elected body of each pastoral charge that takes on the temporal and financial duties of the charge.

Conference

A Conference is an administrative grouping of presbyteries in a region. There are 13 Conferences in the United Church, representing all the regions across Canada.

congregation

A congregation is a body of people meeting for public worship in one place. There are almost 3,000 United Church congregations across Canada.

General Council

The General Council is the United Church’s highest administrative court. Ordained, commissioned, and lay commissioners are elected by the Conferences and meet every three years to set United Church policy. An Executive and a Sub-Executive govern between meetings of the General Council, and policy is implemented through full-time staff at the General Council Office.

manse

A minister is provided with either a manse—a house—to live in or an equivalent housing allowance.

The Manual of The United Church of Canada

The Manual is produced after every General Council Executive triennial meeting and incorporates all the decisions and changes in policy.

Ministry and Personnel Committee

The Ministry and Personnel Committee is a pastoral charge–based committee that oversees the pastoral charge personnel and work conditions.

Mission & Service

Mission & Service pools all the donations from congregations that are meant to support a number of programs and services that are provided by the United Church as a whole.

multi-point charge

A multi-point charge is a pastoral charge that oversees multiple congregations.

official board

The official board acts as the board of directors for the pastoral charge.

PAR (Pre-Authorized Remittance)

PAR is a direct debit program administered by the General Council Office for people to support their congregation or other church body through automatic withdrawals from their bank account.

pastoral charge

The pastoral charge may include one or more congregations under the spiritual guidance of a minister. There are about 2,100 United Church pastoral charges across the country. Each pastoral charge has a committee of stewards, an official board, and a church board.

presbytery

A presbytery is an administrative grouping of pastoral charges in a local area. Lay and ministerial delegates from the charges meet regularly to oversee the work of the charges. There are 90 presbyteries in the United Church.

supragift

A supragift is a gift from congregations or individuals to United Church mission work outside Mission & Service.

The United Church of Canada

The United Church of Canada is the spiritual embodiment of all the congregations organized around the beliefs as set out in the United Church Statement of Faith, as updated by the General Council.

13.2 Financial and Legal Terms

advancement of religion

This is one of the four categories of activity that are considered charitable in the law. Originally defined in the Pemsel case of 1891, the Canada Revenue Agency defines the advancement of religion as

promoting the spiritual teachings of a religious body, and maintaining the doctrines and spiritual observances on which those teachings are based. There has to be an element of theistic worship, which means the worship of a deity or deities in the spiritual sense. To foster a belief in proper morals or ethics alone is not enough to qualify as a charity under this category. A religious body is considered charitable when its activities serve religious purposes for the public good. The beliefs and practices cannot be what the courts consider subversive or immoral.

By providing religious instruction, performing pastoral and missionary work, and establishing and maintaining buildings for religious use, churches also advance religion.

agency agreement

When a charity appoints an agent to implement an activity in pursuit of its charitable purpose, this is called an agency agreement.

Anti-terrorism Act

Bill C-36, the Anti-terrorism Act, governs a number of activities of church organizations.

arm's length

Relating to the board or trustees of a charity, people who are at arm's length must be acting independently of any direct relationship due to blood, marriage, adoption, common-law relationships, or close business ties.

charitable activities

A charity's permissible activities are activities that further the purpose of the charity. In the case of churches, the main charitable activities relate to the advancement of religion.

charitable purpose

Charitable purposes are the main mission of charities, which fall under four categories well established in the common law: relief of poverty, advancement of education, advancement of religion, and purposes of general benefit to the community.

clergy residence deduction

This is an amount clergy are entitled to deduct from their income, related to their manse or housing allowance, to reduce the amount of income tax they pay.

common law

The common law is an English law tradition where decided court cases on various issues set precedents for other court cases. The common law sets guidelines for areas of law not specifically covered by legislation. For example, the Income Tax Act does not specifically spell out the areas of charitable purposes, but these are found in the common law.

conflict of interest

A conflict of interest exists when someone who has responsibility for property or an organization is not dealing at arm's length, and where such dealing may result in a personal benefit.

CRA (Canada Revenue Agency)

The CRA is the federal government agency that oversees the implementation of the Income Tax Act, including the regulation of all charities.

disbursement quota

The disbursement quota is the minimum amount a registered charity has to spend on charitable activities or gifts to qualified donees to keep its registered status. It is an expenditure test based on tax-receipted gifts and amounts received from other registered charities in the previous fiscal period. The purpose of the disbursement quota is to ensure that registered charities actively use their tax-assisted donations to help others according to their charitable purposes.

ethical investing

Ethical investing is making investment decisions that take into account ethical issues of business practices (e.g., dealing in military weapons, poor labour or environmental standards).

fair market value

The fair market value is the amount of a payment made within a reasonable period by a willing buyer to a willing seller for goods or services available for sale. The cost to the seller of a property or service sold has no influence or effect on the fair market value.

fiduciary duty

This is an obligation owed by a trustee or some other person to protect the interests of a beneficiary; a duty of care.

gift

A gift, in the context of charities, is a voluntary and irrevocable transfer of property with no valuable consideration being received in return.

gift in kind

Gifts in kind are donations of property that do not consist of cash. Services do not qualify as gifts in kind.

GST (Goods and Services Tax)

The Goods and Services Tax is the federal tax on the sale of many goods and services. Charities are offered rebates on their GST expenditures.

HST (Harmonized Sales Tax)

The Harmonized Sales Tax is the combined sales and goods and services tax as administered in New Brunswick, Nova Scotia, Newfoundland and Labrador, and Ontario.

Income Tax Act

The Income Tax Act is the federal act that regulates the collection of taxes on income and allows for charities to distribute charitable receipts. It thus also allows for the creation of an agency to regulate charities—the Canada Revenue Agency.

provincial sales tax

For information, contact your provincial Finance Tax Office.

qualified donee

A qualified donee is defined by the Income Tax Act as a registered charity, the United Nations and its agencies, a foreign post-secondary educational institution listed in the Act, or a foreign charity to which the Government of Canada has made a contribution during the preceding two years.

real property

Real property consists of land and improvements to land such as buildings and anything else growing or attached to the land or any other legal interest in land other than ownership.

registered charity

A registered charity is a non-profit organization that is registered by the CRA so that it is allowed to issue charitable receipts to donors and provide other benefits. Registered charities fall under one of the four categories of charitable purpose.

related business

An activity in which a charity is involved outside the charity is a related business if it directly supports the charitable purpose or is substantially carried out by volunteers, and any profit derived from the activity is used exclusively for the charity's charitable purposes.

