Financial Handbook for Congregations

2025–2028

The United Church of Canada • L'Église Unie du Canada

Financial Handbook for Congregations 2025–2028

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L'Église Unie du Canada

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1. What's New

1.1 What's New for 2025

Virtually all forms and information you need today are online and often available as fillable forms. The CRA Charities Directorate is increasingly moving away from snail mail forms and adding easy to use online application tools. 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 the United Church website and also with CRA Charities Directorate.

There have been significant changes in recent years with how the United Church is organized and in the CRA compliance environment. Perhaps most impactful, there has been a fundamental shift in charity administration to working with online tools and resources. Use of online tools was optional in the past—but is now mandatory and unavoidable. We offer a number of how-to webinars and videos through the United in Learning program on the CHURCHx platform. Webinars are updated regularly for any regulatory changes or developments. There are many changes with the Canada Revenue Agency (CRA). The CRA has made major improvements to their website and made information much easier to access in its Charities and Giving section. Googling "CRA Charities Directorate" will get you to the key index page on the Government of Canada website. It is strongly recommended that each charity obtain and maintain a "My Business Account" with the CRA.

The United Church of Canada has also made major changes with the implementation of a new financial model and denominational assessment beginning in 2019. Technology has advanced considerably, and it is now essential that you are registered on ChurchHub as a treasurer and access it for assessment billing, statistics, and other uses.

New T3010—Registered Charity Information Return

Long time treasurers will know that there have been significant changes with this form in recent years. Most notably:

- Reporting on "political" activity is no longer required and Schedule 7 has been deleted.
- Some provision has been added in 2024 for granting to non-qualified donees. A T1441 form is required and guide CG-032 should be consulted. For most communities of faith we recommend continuing to require charitable status as a granting eligibility factor.
- Tracking of "disbursement quota" has been reinstated after a decade long hiatus, and a new Schedule 8 has been added. Completion mandatory.

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 with reminders provided, 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

After a COVID-19 hiatus, more audits and "education sessions" 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; and
- meet its disbursement quota (which is normally 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. Every year, United Church congregations pay significant fines for being found offside on this point.

General Council "Help Desk" for key functions

In recent years, the General Council Office has expanded the use of technology for communities of faith and added help desk support for key technical topics including denominational assessment, CRA dealings, payroll support, and user support for technology tools.

Internet Banking and Transactions Are OK

We used to advise against these, and we expected congregations to use bank accounts that required two signatures. We are now recommending that provided there are

robust Internal Controls to protect against the risk of fraud, it's okay to have single signer bank accounts, and to use a wide variety of Internet banking tools.

New Sections and Reference Materials for Amalgamations and Other Restructuring

See "Amalgamations, Mergers, and Consolidations" in Section 8. Also look at the "Webinars for Church Treasurers" on CHURCHx for up-to-date information on these and other topics.

2. Introduction

We are pleased to provide the *Financial Handbook for Congregations 2025*. 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 called Local Administration, which you may want to bookmark on the United Church website.

This handbook has previously been updated and issued in hardcopy every two years, but is now written to be "evergreen". The handbook attempts to cover topics that are less subject to change and point you to online resources which can be updated more quickly. The handbook is no longer available in hardcopy, so we recommend it be bookmarked on treasurer computers.

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 Regional Councils, 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, reregistration, and so on.

Throughout this handbook, we frequently recommend that you seek the most up to date information from either the United Church website or the CRA's Charities Directorate. Both pages have a search engine which should help you find the information you're looking for. Frequently we recommend some search terms to try, rather than providing direct links to pages which might go out of date without notice.

We also frequently recommend that you contact staff at the General Council Office. In this edition of the handbook, we are not providing staff names, job titles, or email addresses, because these can go out of date without notice. Instead, we've tried to provide appropriate search terms for use in the search engine at the United Church

website. The main switchboard at our office is open 8:30 am–5:00 pm Monday to Friday at 416-231-5931 or 1-800-268-3781, or you can send an email to info@united-church.ca.

You will also find updated information in our "Webinars for Church Treasurers" on CHURCHx. This program provides six live webinars per year, and an extensive library of recorded webinars and other documents to help you stay up to date on all matters related to this role.

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

Harry Li
Chief Financial Officer
The United Church of Canada
hli@united-church.ca

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 is the most relevant, and researching other resources is probably the simplest way to proceed.

Canada Revenue Agency—Charities Directories
Websites: Charities and giving
Forms and publications
Toll-free in Canada: 1-800-267-2384 (English) or 1-888-892-5667 (bilingual)
Business inquiries: 1-800-959-5525

Carters Professional Corporation

Charity and Not-for-Profit Law

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

The United Church of Canada, *Congregational Board of Trustees Handbook* (Toronto: The United Church of Canada, 2021). Download from the United Church Handbooks and Guidelines webpage.

———*The Manual, 2024* (Toronto: United Church Publishing House, 2024). Download from the United Church Handbooks and Guidelines webpage.

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 "A. Resources for Financial Management" in section 3.6).

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. In smaller settings, the treasurer may do all the bookkeeping and related tasks. In larger settings, staff may perform these functions and the treasurer has more of a board reporting and communication role. 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, 2024

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.

…

G.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 "B. Accounting Duties Checklist" in section 3.6 to help with this. There are many webinars and presentation decks available in the Webinars for Church Treasurers, part of the

United in Learning program on CHURCHx, to help treasurers with key tasks and common issues and challenges.

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 and signs the financial statement that is part of the filing.

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 Chapter 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 Chapter 5: Funding God's Mission: Generating Income.

Disbursements

The treasurer is responsible for making or overseeing all disbursements and records all receipts under the direction of the committee in your pastoral charge responsible for financial matters, and keeps proper bookkeeping records of all transactions. It is reasonable to authorize the treasurer or accountable staff to make disbursements for salaries, local taxes on the manse, light, water, fuel, telephone, and similar items. Increasingly, regular payments are set up as automated pre-authorized withdrawals.

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

Remittances

The Treasurer is responsible for forwarding Mission and Service donations, and the Denominational Assessment, to the General Council Office. Normally these remittances are sent monthly or quarterly.

Financial Statements

At agreed-upon intervals, the treasurer presents to the Official Board, or the committee in your pastoral charge responsible for financial matters, statements showing the financial position of the church for the period.

Insurance Premiums

Community of Faith 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. In an effort to contain insurance costs and premium increases, the General Council Office has sponsored a captive insurance program on a voluntary basis with approximately half of all congregations participating.

Protecting Cash

The treasurer is responsible for monies entrusted to the Community of Faith 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 and Service, and to any special funds. This task is preferably done by someone other than the treasurer, such as an envelope steward.

It is essential that charitable receipts contain all the information and follow all the guidelines laid out by the Charities Directorate. Otherwise, individual donors may have their own tax returns adjusted for receipts that don't meet the standards.

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 Chapter 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 should also ensure there is formal, documented policy on such issues as locked files and computer security.

Necessary Online Accounts

Online user accounts are needed and should be maintained for the treasurer with provision for backup and transition.

- For the church My Business Account with the CRA, it is prudent to add at least one more contingent user as backup
- For Church Hub, treasurer transition should ensure that the new treasurer is added to the national database. This can be requested to the national statistics office.
- ADP – this is our payroll service. You will need access to their online portal in order to ensure that staff are paid properly, and to process changes.
- The United in Learning program at CHURCHx hosts all United Church training courses and is where you can find webinars and slide presentations on all key treasurer topics.

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: Annual Statistical and Information Forms 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 ensure accurate, up-to-date accounting records are maintained for the congregation. Virtually all Communities of Faith have some type of computer system and accounting software 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, provides timely and accurate information, and is relatively easy for your successor to learn!

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.

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 these tasks, such as doing calculations and transferring transactions from journals to ledgers.

Fund Accounting

In addition to regular contributions allocated to local ministry and to Mission and 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 and Service, please refer to section 5.4: Funds for The United Church of Canada.

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), and
- intentionally depreciating assets as quickly as possible while complying with accounting standards.

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; and
- 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 in your pastoral charge responsible for financial matters. After being approved by the committee, it is brought before the pastoral charge at the annual meeting for final approval.

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 in your pastoral charge responsible for financial matters, the church board, and the Community of Faith. 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.

"E. Sample Balance Sheet" and "F. Sample Statement of Receipts and Disbursements" are examples of a balance sheet and a statement of receipts and disbursements, found in section 3.6. 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; and
- compare figures with the previous year, to help assess the financial position of the pastoral charge.

It is considered best practice to have only general information on the cost of salary and benefits shared with a congregation—as opposed to disclosing individual salaries. 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); and
- notes (if applicable).

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 separate charities and each 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.

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: What Is a Church Audit or Independent Review? for more detail. Our general advice is to get the best independent third party review you can find and afford. In some settings, this might mean a “treasurer swap” where volunteers gather to review each others financial documents. This cannot provide the same assurance as professional review, but may be the best you can do. Again, it is important to have congregation disclosure regarding the extent of review.

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.)
- ❑ 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? A professional insurance valuation appraisal should be conducted periodically if full replacement cost coverage is to be maintained.
- ❑ 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.
  - ❑ Is the charity registered for CRA My Business Account with at least two current KNOWN authorized contact and/or representative?
  - ❑ Is the treasurer Church Hub account active and reports available on request?
  - ❑ Is the treasurer registered with CHURCHx to access training materials?
- ❑ Are denominational assessments paid up to date?
- ❑ Are Mission and Service gifts being transferred to the General Council Office at least quarterly?

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 contact information in section 2.1) can offer assistance or referrals to other resources for any questions.

Many topics relevant to treasurers are covered through webinar presentations.

Webinars for Church Treasurers are provided by the United in Learning program on CHURCHx and it is recommended that every treasurer establish an online account with password access.

Webinars cover almost all of the most common treasurer topics.

The CRA Charities Directorate also has great content related to tax receipting, annual filing and overall compliance requirements.

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. Frankly, most information is now available for free on the internet.

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: via 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 and Service funds** to the Treasurer of The United Church of Canada if the charge has no Mission and Service treasurer. Otherwise, transfer the funds to your Mission and Service treasurer.
9. **Remit the Denomination Assessment** to the General Council Office (if you're on a monthly schedule)

Quarterly

Remit the Denomination Assessment to the General Council Office (if you're on a quarterly schedule)

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.
4. Review denominational assessment calculation and set up payment method and frequency if not already on pre-authorized payment.

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.

5. Complete and upload or snail mail to the Charities Directorate, 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!**
6. Arrange for the envelope steward to issue receipts to contributors for income tax purposes. In Quebec, receipts must be issued to contributors in duplicate.
7. 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.
8. Prepare schedules and organize financial information for annual audit.
9. Arrange for a copy of the Minimum Salary and Allowances for Ministry Personnel (google budget tools on church website) to be given to the chair of the Ministry and Personnel Committee. These are usually available by summer for the following year.
10. File annual returns and remit Goods and Services Tax installment (applies to those very few churches that are registered for GST).
11. 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 your Regional Council or General Council Office staff for more specific advice. Webinars are available for many of these topics on CHURCHx.

Remember, any of the above events require partnership with and approval your Regional Council. Regional Councils are responsible for property matters under United Church polity.

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		
	11,058.00	7,948.00		3,110.00

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	The United Church of Canada	36	604.05	Assessments	604.05
	Total		9,253.42		9,253.42

E. Sample Balance Sheet

_____ United Church Balance Sheet
_____, 2024

	2024	2023
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 Balance Sheet

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 forTreasurers

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

$100 item with GST and HST

			Ontario example		
			Debit expense	103.94	
			Debit Rec. GST portion	2.50	
			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 HST Provincial Rates (all have GST)

British Columbia	Zero
Nova Scotia, New Brunswick, Newfoundland and Labrador	50%
Prince Edward Island	35%
Ontario	82%
Other	Zero; federal GST only (50%)

HST Rebate Forms from Canada Revenue Agency Website

- CRA webpage: GST/HST Information for Charities (how to guide)
- CRA webpage: HST Rebate information for Charities

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." The national office has a CRA tax ruling confirming that rental income is not a taxable supply and IS a legitimate use of surplus charitable capacity.

For more information contact the CRA or regional or national staff.

4. Paying Staff

4.1 Payroll Service Policy and Responsibilities

Processing Payroll for Ministry Personnel

Payroll for ministry personnel in pastoral relationships earning more than $5,000 annually must be processed through ADP Payroll Service as decided at the 39th General Council 2006 meeting.

Processing Payroll for Lay Employees

Processing lay employee's payroll through ADP is optional but strongly recommended. If an employee is not processed through ADP, the pastoral charge/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 then be arranged through the Benefits Centre at the General Council Office (1-855-647-8222).

Responsibilities of the Pastoral Charge Payroll Administrator

- Set up new hires and process employees' status changes (rehire, termination and leave of absences).
- Update personal information and payroll changes, such as salary, hours, bank information.
- Calculate payroll, review preview payroll report and approve payroll.
- Review processed payroll reports and reconcile total payroll cost vs the payroll debit.
- Reconcile payroll periodically to ensure all payments outside payroll have been updated in Payroll.
- Review Trial Tax forms and make adjustments when needed.

4.2 If New to Processing Payroll

The Pastoral charge payroll and client service team has developed the Payroll Administrator Onboarding Webinar, Payroll forms, and tools to guild you through the process.

Payroll Administrator Onboarding Webinar (available on CHURCHx)

- Understand the services provided by ADP and your responsibilities as a payroll administrator.
- Understand the process in setting up authorized ADP contacts.
- Learn where you can locate ADP training videos and additional resources to help you process payroll.

Payroll Forms and Tools (available on Pastoral Charge Payroll Service site)

- Understanding ADP Payroll Reports
- Pastoral Charge Payroll Form
- Minimum Salaries and Reimbursements for Ministry Personnel
- Budgeting tools for treasurers

UCC Pastoral Charge Payroll and Client Service Team

- Responds payroll related inquires
- Troubleshoots payroll issues
- Oversees the payroll process
- Facilitates the Year-End

Please call 1-800-268-3781 (option 2) if you need to set up UCC pension and benefits in TeamPay.

You also can email Pastoralchargepayroll@united-church.ca for payroll inquiries.

Payroll Tips and FAQs

- Connex is a quarterly publication providing relevant information to ministry personnel and treasurers. If you do not currently receive Connex, contact Connex@united-church.ca or sign up on the Benefits Centre website.
- Webinars for Church Treasurers is on the 4th Wednesday of every other month. It provides the advice for treasurers, trustees and payroll contacts.

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

4.3 ADP Summary of Services

- Calculates and remits Statutory deductions to the applicable government agencies.
- Calculates and remits UCC pension and benefits premiums to The United Church of Canada.
- Debits the Pastoral Charge bank account.
- Processes Direct Deposits to the employees.
- Produces various payroll reports.
- E-files Record of Employments to Service Canada.
- Produces and files year-end tax forms to CRA.
- Provides self-service for employees' access to their pay statements and tax forms.

ADP Authorized Contact

The payroll administrator must be an authorized contact in order to speak with ADP concerning payroll-related matters.

To become an authorized contact, the current authorized contact must complete the Designated Contact Authorization form and email it to ADP. The form can be obtained by calling ADP Client Services (1-877-377-4784) or General Council Office Pastoral Charge Payroll team (1-800-268-3781, option 2). If the current authorized contact is not available, please call 1-800-268-3781, option 2.

It is advisable to have two authorized contacts in case one is unavailable.

Payroll Frequency and Pay Date Option

ADP can process payrolls monthly or semi-monthly. The pay date for a monthly payroll is 25th of the month. The biweekly payroll is being phased out, and those who currently have biweekly payroll will remain “as is” (no change). It is up to the pastoral charge/ministry unit to decide on one of these options. To change the payroll frequency, ADP requires two weeks’ notice prior to the effective date of the change. The service fee is applied.

Some pastoral charges/ministry units have opted for a monthly payroll frequency, but issue a manual cheque (or advance) during the month to save on ADP service fees. 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 then deducts the advance from the net pay before deposit. The T4 therefore reflects both the advance amount paid and the amount paid by ADP.

Payroll Processing Option

The pastoral charge/ministry unit can choose one of two options to process your payroll.

Run-As-Is Payroll

This is the payroll with salaried employees with minimum changes during the year. The payroll will run automatically each pay. The payroll administrator checks the payroll reports after 3:00 pm local time on the payroll input date. If the payroll auto-run fails, you can either call ADP client service or approve the payroll yourself

In the event of making payroll changes, the payroll administrator should calculate the payroll, review the preview payroll report, and approve the payroll.

Non-Run-As-Is Payroll

This is for the payroll with hourly employees. The Pastoral charge administrator enters the hours prior to the payroll input date, reviews the preview payroll reports and approves the payroll.

The payroll processing option can be changed by calling ADP client services.

Statutory Deduction

ADP calculates and remits statutory deductions on behalf of the pastoral charge/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. A New hires/Rehires needs to provide the Federal and Provincial TD1 forms to the payroll administrator at the Pastoral Charge.

If the employee applies the "Basic" amount, it automatically updates 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 update the amount in payroll annually, for the first pay of the new year

For Quebec employees, please complete Source Deductions Return TP-1015.3, equivalent to provincial 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 pastoral charge/ministry unit has obtained a premium rate reduction.

Pastoral charges/ministry units can apply for an EI premium rate reduction. The portion of the savings is returned to the staff member is 5/12. As the employer, your portion of saving would be 7/12.

To learn more about EI Premium reduction, search the Internet for "EI Premium reduction guide."

If your pastoral charge/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 advise of the reduced premium rate for the next taxation year. This new reduction rate 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 is no longer covered by UCC benefits, the payroll administrator must assign this employee to the payroll account which is the standard EI rate.

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 provides a copy to the pastoral charge payroll administrator. The employee must file the completed form to CRA. For a copy of this form and detailed instruction, search the Internet for "CPT30."

Election to Stop Contributing to QPP

Quebec employees who are at least 65 years of age but under 73 at the end of the year receiving a Quebec Pension Plan (QPP) or Canada Pension Plan (CPP) retirement pension must complete RR-50 if you no longer wish to make QPP contributions, and provide a copy to the pastoral charge payroll administrator. The employee must file the completed form to Revenue Quebec.

For a copy of this form and detailed instruction, search the Internet for "RR-50."

Quebec: CSST

All pastoral charges/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 (1-844-838-0808). Failure to do so could result in penalties.

Based on information given by the pastoral charge/ministry unit (i.e., the nature of the employee's work), CSST will calculate and provide an annual premium and CSST code, which must be sent to ADP. They will then remit to CSST on behalf of the pastoral charge/ministry unit. If a file is provided to ADP by CSST with rates, these will be automatically uploaded. The pastoral charge/ministry unit may therefore see a different rate than what was submitted.

Payroll Reports and Employee Self-Service

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

- statutory deductions remitted by ADP;
- United Church pension and benefits deductions remitted by ADP;
- pay statement (Statement of Earnings and Deductions); and
- ADP service fees.

Recommended payroll reports for the bank reconciliation:

- Payroll Register: earnings and deductions at the employee level;
- Daily Update Report: statutory deductions remittances, net pay, UCC pension and benefits remittances, ADP service fee and total payroll cost debited from the bank; and
- Totals Report: earnings and deductions at the company level, including employer contributions of CPP/QPP and EI.

ADP reports can be accessed through TeamPay (without cost) or by mail (subject to courier fees). To change how you receive payroll reports, call ADP Client Services at 1-877-377-4784.

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 payroll administrator can set up the self-service for the employees to access their pay statements and tax forms online. Please call UCC Pastoral Charge Payroll Team for details.

Record of Employment

The Record of Employment (ROE) is a record of insurable earnings and hours for employees who leave the pastoral charge/ministry unit for any reason, or experience an interruption in earnings. 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.

Deadline for Issuing an ROE

If your pay period is biweekly or semi-monthly, you have up to 5 calendar days after the end of the pay period in which an employees' interruption of earnings occurs to issue an electronic ROE.

If you have a monthly pay period, you must issue electronic ROEs by whichever date is earlier:

- 5 calendar days after the end of the pay period in which an employee experiences an interruption of earnings; or
- 15 calendar days after the first day of an interruption of earnings.

ADP files ROE electronically to Service Canada. Employees who have registered with My Service Canada Account online service can view and print copies of their electronic ROEs. However, the employer may provide your employees with copies as a courtesy if they request them.

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."

Year-End Tax Forms

On behalf of the pastoral charge/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.

- June: ADP produces Tax form trial run. You may review them via TeamPay.
- October and December: ADP produces and posts the T4/Relevé trial run on Reports on Internet (ROI) for review by the payroll administrator.
- Before producing 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 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: if you choose the hard copy delivery, the payroll administrator receives a year-end package from ADP that includes the tax forms (T4/T4A/Relevé) to be sent to employees. Otherwise, you can view the tax forms via TeamPay.
- 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, please visit Pastoral Charge Payroll Service on the United Church website.

Pastoral Charges/Ministry Units in Quebec

Revenu Québec requires employers to file the Summary of Source Deductions and Employer Contributions by the end of February. 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 charges are based 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 according to 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.

4.5 Payroll Form

The pastoral charge new hire form is used for new hires. It consists of five workbooks: Instructions; Payroll form; Pension and Benefits instructions; Reoccurring Earnings; Deductions; and FM fields.

It is essential that you use the payroll form to collect the new employee's information in order to set up them in payroll

To get a copy, please access to TeamPay>The Bridge>Related Places>UCC (members only)>New Hire Form.

Or contact the UCC Pastoral Charge payroll team.

4.6 ADP Earnings and Deduction Codes (United Church Template)

In consultation with ADP, 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.

4.7 Amalgamations and Closures

Call the General Council Office at 1-800-268-3781, option 2.

4.8 United Church Pension and Benefits Plans

The United Church's pension and benefits plans are administered by the Benefits Centre in accordance with the terms of the Pension Plan Constitution and the group benefits contracts.

Participation in the pension and benefits plans is mandatory and a condition of employment for all employees of The United Church of Canada working full-time or part-time, 14 or more hours per week on average across all United Church employments.

Premiums are reviewed annually and are subject to change. Current rates are posted on the Pension and Benefits Deduction page of the Benefits Centre website. Premiums are also published in the December issue of Connex.

To calculate pension and benefit premiums, go to the Budgeting Tools for Treasurers page on the United Church website and select the current year "Premiums andTaxable Benefit Calculator" from the Downloads section.

Pensionable Earnings

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

- Ministers no manse PE = Total salary
- Ministers in a manse: PE = Total salary x 1.4
- Lay employees: PE = Total salary

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.

Connex and the Pension Plan Annual Report of The United Church of Canada provide updates on the plan. For detailed information, visit the Pension Plan page at uccbenefits.ca.

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 $50 per month to a maximum of $600 as an estimate of the value of that credit. The pension adjustment is used by the Canada Revenue Agency to determine the member's RRSP contribution limits.

The Benefits Centre provides pension adjustments to ADP directly at year-end, to be applied to the member's T4 (box 52).

Active Plan

The Active Plan premiums are paid by the pastoral charge/ministry unit, or other participating employer, with the exception of long-term disability (LTD) premiums. The Active Plan coverage includes the following:

1. Benefits
    - Life Insurance and Accidental Death and Dismemberment (AD&D): member
    - Life Insurance: dependent(s)
    - Health and Dental insurance: single or family coverage
    - Employee and Family Assistance program (EFAP): short-term counselling

2. Restorative Care Plan (RCP): short-term disability coverage

3. Long Term Disability (LTD) Insurance is a benefit paid to the member in the eventof long-term illness (certification and insurer approval is required). Premiums are paid by the employee to preserve the benefit's tax-free status, so those receivinglong-term disability benefits do not pay tax on this income.

Full details on the Active Plan coverage, paid by the employer, can be found in the Benefits of Active members: Summary of Coverage, under Benefits Administration in the Document Library.

Optional Benefits Coverage

If members wish to improve their benefits plan, they can choose to pay for optional benefits. Optional benefits include

- optional life insurance (premiums for optional life coverage depend on the amount of coverage, age, and whether the applicant is a non-smoker or smoker);
- optional spousal life insurance; and
- optional accidental death and dismemberment (AD&D), single and family.

For detailed information on optional benefits, please refer to the Benefits for Active Members: Summary of Coverage found in the Document Library.

4.9 Setting Up Pension and Benefit Payroll Deductions

The payroll administrator follows the instructions on Pastoral Charge New Hire Form or call UCC Pastoral Charge payroll Team at 1-800-268-3781, option 2, for assistance.

Benefits Deductions

Ministry personnel are eligible for coverage from the date of hire. For other members, eligibility begins on the hire date, or the first day of the fourth month following the hire date for those with a three-month waiting period (lay employees). The date of eligibility may be adjusted to coincide with the date premium deductions were started by the payroll service.

To start remittances, the payroll administrator completes the appropriate sections on the pastoral charge payroll form and set up pension and benefits in TeamPay.

For new hire lay employees coded LE (three-month waiting period), the payroll administrator needs to advise ADP to start pension and benefit remittances after the three months.

To support pastoral charges/ministry units and their employees, the Benefits Centre reviews payroll reporting from ADP and will have ADP set up any non-enrolled eligible employees based on the available data.

A new member can expect to receive an enrolment package from the Benefits Centre within four to six weeks of the date the first premiums deduction is processed. For new members and members moving from one pastoral charge/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 benefit services are required during this period, members must hold on to receipts and submit them after two months.

When members turn age 64 years and 6 months, premium and coverage cease for long-term disability. The payroll administrator must stop long-term disability deductions when the employee attains 64 years, 7 months.

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); 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

The taxable benefit amount is to be entered in TeamPay when setting up a new employee, and must be recalculated and updated when there is a change (i.e., change in salary, change in coverage single/family or vice-versa).

To determine the taxable benefit amounts, go to go to the Budgeting Tools for Treasurers page on the United Church website and select the current year’s Premiums and taxable benefits Calculator in the Downloads section.

Optional Benefits Deductions

For employees new to the United Church, optional benefits are effective when all enrolment forms have been 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 ADP.

Existing members moving from one pastoral charge/ministry unit to another are responsible for providing the optional benefit deductions to their current employer. The optional benefit deductions can be found on the employee's pay statement from the former employer (the pay statement descriptors will show as LIFE MEM, LIFE SPO, or AD&D), or the payroll administrator can call the Benefits Centre at 1-855-647-8222 to obtain the amounts.

The Benefits Centre advises ADP of changes to deduction amounts 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

Concurrent Employment

When a member is employed by more than one pastoral charge/ministry unit at the same time, pension and core benefits deductions are based on pensionable earnings for each employer. Eligibility is determined separately for each employer based on the 14 hours rule as set out in 4.8 above.

Premium deductions for optional member and spouse life insurance, and optional accidental death and dismemberment are split evenly between employers.

Summer Closure

To ensure plan members receive uninterrupted benefits coverage over a summer closure period, please contact the Benefits Centre at 1-855-647-8222 or Benefits@united-church.ca.

Start of summer closure period: The payroll administrator inactivates the employees who are not paid during the closure and issue the Record of Employment in Payroll.

Return from summer closure period: The payroll administrator reactivates the employees who resume the work in Payroll.

4.11 Pension and Benefits: Employment Leaves

Pregnancy, Adoption, and Parental Leaves

Members can elect to continue pension and benefits for pregnancy, parental, or adoption leaves as per government legislation. The pastoral charge/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. The payroll administrator advises the UCC Benefits Centre of the leave. Once the leave is processed and the Benefits Centre becomes aware of the leave, they 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:

- For details about the Pregnancy Leave or Parental Leave policies for Ministry Personnel, search *Pastoral Relations: Engaging and Supporting* on the United Church website.
- Program Coordinator, Ministry Personnel Leadership: 1-800-268-3781
- Service Canada
- Quebec Parental Insurance Plan (QPIP)

Leave of Absence

Members can elect to continue pension and benefits during an unpaid leave approved by the pastoral charge/ministry unit, and are responsible for remitting both the employer and employee contributions. The payroll administrator inactivates the employee in Payroll. Once the leave is processed and the Benefits Centre becomes aware of the leave, they 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 pastoral charge/ministry unit is reimbursed 85 percent of the member's pensionable salary.

The payroll administrator must contact the Benefits Centre at 1-855-647-8222 ext. 8010 or disability@united-church.ca to advise them of the illness.

4.13 Pension and Benefits: Death of Employee

When an employee dies, the payroll administrator must terminate the employee in Payroll and issue a ROE. Depending on the last day the employee was to be paid, the payroll administrator may need to prorate the salary amount to be processed for the final pay.

4.14 Pension and Benefits: Employment Ends with Ministry Unit

When a member leaves a pastoral charge/ministry unit permanently, the payroll administrator must terminate the employee in Payroll and issue a ROE. Depending on the last day the member is to be paid,the payroll administrator may need to prorate the salary amount to be processed for the final pay. Based on that amount, ADP will make automatic adjustments to pension and benefits deductions.

Assessment of pension and long-term disability ends on the last day paid. All other benefits coverage continues 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: Restorative Care Plan 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. These situations should be communicated to the Benefits Centre to ensure the terms of any agreement can be administered.

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

Members who are Ministry Personnel can elect to continue pension and benefits during an approved “in search of acall/appointment” period. They are responsible for remitting both the employer and member contributions. Once the last pay is processed, the Benefits Centre will send a letter to the member with further information. They can expect to receive it approximately six weeks following the payroll processing date.

4.16 Compensation for Ministry Personnel

Ministry personnel serve pastoral charges/ministry units by means of a call or appointment, and the terms are the Call or Appointment form. It is helpful to have a copy when completing the pastoral charge payroll form.

Annual Cost-of-Living Increases

Minimum salaries increase annually. By Thanksgiving, the minimum salaries effective January of the upcoming year are posted on the website. Go to the United Church website and search “Minimum Salaries and Reimbursements for Ministry Personnel” to download a copy.

The payroll administrator is responsible for changing the minister’s salary based on annual (January 1) increases and years-of-service (increment category)increases.

When 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 Pregnancy/Parental Leave) are effective the first day the minister returns to work.

Regional Cost-of-Living Groups

All local pastoral charges/ministry units have been assigned to a regional cost of living (RCOL) group based upon a basket of goods, services and taxes are reported by the Federal Finance Department for that town, city or municipality. The RCOL group of all pastoral charges/ministry units are on thewebsite. Go to the United Church website and search “cost of living group assignment.”

As of July, 2026, on the action of the 45th General Council, RCOL assignments will be also be applicable to communities of faith providing a manse.

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.

4.17 Occupancy of Manse

A pastoral charge/ministry unit providing a manse is responsible for the following.

- Processing the fair rental value of the manse through payroll using the pastoral charge payroll form (Minister Living in a Manse section). 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 pastoral charge/ministry unit is through payroll using the pastoral charge payroll form. Although it may be agreed that

the ministry personnel pays for utilities, heating costs in excess of $800 are paid by the ministry unit.

- Complying with requirements concerning income tax and pension contributions. See Manse (20% rule) below.
- Complying with Canada Revenue Agency guidelines on processing the clergy residence deduction at source through payroll.

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 Manse (20% rule)

To ensure compliance with the Income Tax Act and regulations on maximum pension, the fair rental value of the manse (including utilities paid by the pastoral charge/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**
$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.

4.19 Clergy Residence Deduction

Ministry personnel called or appointed to pastoral charges/ministry units, and members of the Order of Ministry serving full-time administrative roles, are eligible to claim the clergy residence deduction (CRD).

Each year, ministry personnel should ask the pastoral charge/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 pastoral charge/ministry unit to reduce their taxable income by the amount of the CRD and thereby reduce the amount of income tax deducted at

source, the minister must obtain a “letter of authority” every year issued by the Canada Revenue Agency/Revenu Québec (for ministers who work in Quebec). If no request is made, taxes are withheld at source without taking the clergy residence deduction into consideration and the tax relief occurs later, at tax filing time.

Ministers must apply annually each fall for the upcoming calendar year by completing and submitting CRA Form T1213: Request to Reduce Tax Deductions at Source/RQ Form TP-1016-V: Application for a Reduction in Source Deductions of Income Tax (for ministers who work in Quebec).

Once the CRA/RQ provides the minister with the letter of authority, the payroll administrator can use the pastoral charge payroll form (Hours and Salary section). to calculate Regular salary and Clergy Residency Deduction and adjust accordingly in TeamPay.

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 whether or not the minister will file the clergy residence deduction Form T1233 with their personal tax return.

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 pastoral charge/ministry unit. The employer is then responsible for paying the musicians, minister, custodians, and other staff as per their policies. Income from weddings and funerals to staff who are on the regular payroll should be processed through ADP as taxable income.

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 pastoral charge/ministry unit when the incumbent ministry personnel is on vacation, study leave, or other short-term leave. These 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 regional councils to determine whether an appointment should be made.

A minimum daily rate is provided in the annual Minimum Salaries and Reimbursements for Ministry Personnel available on the United Church website. This covers a full working day, or any portion of it, and is not linked to any specific number of hours served. The rate is based on increment category F minimum salary. The parties may negotiate a higher daily amount but cannot negotiate a lower amount.

In addition, the pastoral charge/ministry unit must reimburse the visiting ministry personnel for travel and incidental expenses (i.e., meal allowance and accommodations, if 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. Go to the United Church website and search "Minimum Salaries and Reimbursements for Ministry Personnel" for details.

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 pastoral charge/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 Minimum Salaries and Reimbursements for Ministry Personnel document. 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 pastoral charge/ministry unit to roll over a portion for a continuing education goal.

For part-time service, the CELR amount is to be pro-rated. 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.

If ministers purchase books or a tablet through continuing education allowance, they can take them when they leave the church if the church has processed the amounts as a taxable allowance. If the amounts have been processed as an expense, the books or tablet are the property of the church.

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 guidelines, income provided to an employee to cover telephone/cell phone/Internet service plan fees, or for the purchase of a telephone/cell phone/computer, should be processed through payroll as a taxable allowance.

If ministry personnel work from a home office, the treasurer should complete the T2200.

For further CRA information, search the Internet for

- 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;" and
- T4130, *Employers' Guide: Taxable Benefits and Allowances*: Refer to chapter 3, section on "Cellular phone and Internet services."

Travel

Where the work of a pastoral charge/ministry unit requires ministry personnel to use a vehicle, the employer must reimburse the ministry personnel for travel at a (minimum) rate set annually by the General Council Office. The minimum rate per kilometre is provided in the annual Minimum Salaries and Reimbursements for Ministry Personnel document.

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 pastoral charge/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, 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.

Per CRA, If you pay your employee an allowance based on a flat rate that is not related to the number of kilometers driven, it is a taxable benefit.

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."

To process payments:

- Confirm the current minimum rate per kilometre from the annual Minimum Salaries and Reimbursements for Ministry Personnel document, reimbursements section. 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 pastoral charge/ministry unit requires the ministry personnel to use a car, and where the ministry personnel is granted leave (i.e., short-term disability, sabbatical leave, pregnancy 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% of the average monthly travel claim (based on the six months before the leave). This amount is processed through ADP as a taxable allowance using the pastoral charge payroll form, Section 10 Expenses and Taxable Allowances, complete Mileage/Travel (MILE TAX).

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 is reimbursed by the pastoral charge/ministry unit. An expense is payable, 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).

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 pastoral charge payroll form, Section 10 Expenses and Taxable Allowances.

Claiming Other Employment Expenses (T2200)

All taxpayers are eligible to claim certain employment expenses that are not reimbursed by their employer. Depending on individual circumstances, geographic breadth of the pastoral charge/ministry unit, and other factors, ministry personnel may be able to make a claim. Eligibility is the responsibility of the individual to determine.

Payroll administrators 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.”

Moving Costs

The cost of moving ministry personnel to a pastoral charge/ministry unit is the responsibility of the pastoral charge/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 pastoral charges/ministry units that receive Mission Support Grants or demonstrate a need for such assistance. Financial assistance is provided by the region of the ministry unit in consultation with the appropriate regional council staff and General Council unit.

Any pastoral relationship initiated by a call is normally expected to last at least three years. When a change in pastoral relationship requested by ministry personnel is approved by the region before three years’ time, the moving expenses paid by the pastoral charge/ministry unit must be reimbursed by the ministry personnel on a pro-rated basis.

4.23 Ministry Personnel: Vacation and Leaves

Vacation is part of the terms of call or appointment.

It is the responsibility of the pastoral charge/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 pastoral charges/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
July 1 to August 31	none	all
March 1	8/12	4/12
October 1	3/12	9/12

Study Leave

Ministry personnel in accountable ministries have access 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 pastoral charge/ministry unit.

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-time and part-time ministry personnel in pastoral relationships who have completed five or more years of service in the pastoral charge/ministry unit that will approve the sabbatical.

For detailed information about the Sabbatical Policy, search “Pastoral Relations: Engaging and Supporting” on the United Church website.

Employee vs. Self-Employed

Usually, most staff employed by a pastoral charge/ministry unit (i.e., organists, secretaries, administrators, and custodians) are treated under the Income Tax Act as employees, with applicable deductions.

A self-employed individual provides an invoice for work performed to the pastoral charge/ministry unit. The payment of the invoice is an expense (not processed through payroll). The Canada Revenue Agency requires the completion of a T4A for annual

aggregate amounts over $500 paid to a supplier/vendor. 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 pastoral charge/ministry unit should be satisfied that the work arrangement meets CRA guidelines. If audited, CRA may determine that an employment relationship exists. The pastoral charge/ministry unit would then be 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. Go to the CRA website for more information.

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 their activities.
- The worker is usually free to work when and for whom they choose and may provide their 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.

Contact Information

UCC Pastoral Charge Payroll and Customer Service

Web page: **Pastoral Charge Payroll Service**

Phone: 1-800-268-3781, option 2
Email: pastoralchargepayroll@united-church.ca

ADP UCC Client Service Support

Phone: 1-877-377-4784
Email: ucc.pastoralcharge.support@adp.com

United Church Benefits Center

Web page: uccbenefits.ca
Phone: 1-855-647-8222
Benefits inquiries: benefits@united-church.ca
Pension inquiries: pension@united-church.ca
Disability inquiries: disability@united-church.ca

5. Funding God's Mission: Generating Income

5.1 It Starts with Stewardship

It is the generosity of those in the faith community that enables God's mission locally and as a denomination through Mission and 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. Stewardship is NOT fundraising. Stewardship IS discipleship.

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, learning, and practice.

NEVER talk about people's money and finances apart from their DISCIPLESHIP.

NEVER talk about the church's money and finances apart from its CALLING/PURPOSE.

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

The General Council's Community of Faith Stewardship team provides a variety of resources to help communities of faith enhance and develop their sense of stewardship. For the most current resources or to contact the team, navigate to the United Church website and search the term "Stewardship."

The Community of Faith Stewardship team also hosts courses entitled "Called to Be the Church: The Journey" to train you and a team from your church in the best practices of stewardship. These are available through the United in Learning program at CHURCHx.

5.2 Revenue Procedures

Each community of faith should have a policy on accepting gifts which stipulates what kind of gifts it will accept, what it will not, and how it will decide. Having this policy in place frees the leadership from making panicked decisions, or decisions with unforeseen outcomes, at the time a gift is made. This is especially important for gifts in kind and gifts that come with special requirements or stipulations. Once you accept a gift, you are bound.

Pre-Authorized Remittance (PAR)

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. During the COVID-19 pandemic, PAR became so much more popular among regular donors that we are now listing this giving tool first in this handbook.

Using PAR, people can designate their gift to local church expenses, Mission and 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. A report is sent to Church Treasurers monthly so that amounts received by PAR can be included in the church's accounting, and tax receipts may be issued.

For the most up to date information about PAR, please navigate to the United Church website and search for "PAR".

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 by Interac or credit card.

Since stewardship IS discipleship, encouraging people to use PAR is a way to nurture generosity and faith growth. Consistent donors on PAR are making a statement about their commitment to the church.

If many donors 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 donors have consistently given more on average than non-PAR donors. This is true for local giving and for designated support to Mission and Service.

During the COVID-19 restrictions, many congregations vastly increased the percentage of their doners who give by PAR. Treasurers in those congregations report that this has lifted a substantial administrative burden from them; counting cheques and cash after church services is a much simpler job when 90% of donations come in through PAR instead through the offering plate!

When PAR Works Well

Some congregations have been using PAR for almost 40 years. Very few donors 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.

Remember to annually invite those on PAR to consider increasing their gift. It is too easy to "set it and forget it."

What Is Needed to Start?

All the resources you need to get started can be found on the United Church website and search for "PAR". 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 donors is required for a congregation to initiate the program. However, since one of the basic precepts of PAR is to ensure consistent 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 has been unchanged for decades and at time of writing 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 17th of each month (or the following business day if the 17th 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 (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 sent to the church showing the breakdown of individual contributors for recordkeeping/income tax receipt purposes. The statement is normally sent to the PAR contact person and should be shared with the envelope secretary and the treasurer. The statement also shows the monthly charge and any returned item (NSF) corrections from the previous month. The monthly report (less the monthly charge/NSF information) can also be sent to you via e-mail. 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 their first gift will be processed. If setting up a new PAR program for the congregation, the contact person should confirm with the GCO when PAR will begin for the congregation.

How Does the Donor 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 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.

All the resources you need for your PAR program can be found on the United Church website (search for "PAR").

Cheques and Cash

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

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.
   f. 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.
8. The leader then completes a separate bank deposit slip, in duplicate, for each fund (e.g., local, Mission and Service) and indicates in the appropriate space the amount to be deposited to the particular fund.
9. 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.
10. 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.
11. 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.

Depositing the Funds

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.

Recording the Envelope Offering

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

Internal Controls for counting revenue

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.

Ideally, at least two people who are not related should count and check any revenue received by cash or cheques. 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 monies should be kept in the custody of the counters at all times until it can be deposited.

We used to recommend that cash and cheques be deposited on the same day through a night deposit, but fewer and fewer banks provide this service any more. If that service is available to you, it's best to use it. Alternatively, deposit funds as soon after counting as is practical.

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.

Donations by e-transfer

Donation by e-transfer became a popular option during the COVID lockdown period and continues to be preferred by many donors. This requires having a bank account set up to accept e-transfers—ideally automatically. Not all low-cost bank account arrangements allow for this, and as a result, some treasurers have resorted to using a separate bank account to receive payments.

One of the challenges with e-payment is the manual intervention needed to obtain good, auditable and detailed information about what the payment is for.

The memo field can be used to describe what the payment is for and this can include several items. It's less than perfect but it gives needed information that is auditable. If the bank account is set-up for auto-deposit, funds go directly to the operating account without intervention. The church receives a notice from Interac with the sender's

name and instruction on the memo field. The bookkeeper would attach the Interac memo with instructions to the accounting record.

The Interac payment does not give much personal information about the person contributing the funds. However, most of contributors are already in your member tracking system and so it is relatively easy to record the donation against an individual or family identity in the database.

Online Donations

Online giving has increased in recent years, especially when regularly promoted with links to webpages, QR codes, etc.

Organisations such as CanadaHelps *make this easy*. As a registered charity in Canada, your congregation already has a CanadaHelps account. You can set up multiple funds within that account so that the donor can specify the allocation of funds in considerable detail. CanadaHelps issues the tax-receipt, which is less work for the congregation.

Donations from other charities and payroll deductions

Some people work for a company that encourages charitable giving through a payroll deduction. Many times, the employees can designate the charity they wish to receive their donation. In that case, the charity managing the payroll deductions (such as the *United Way* or *Benevity*) will reach out to the congregation to arrange a process to receive these funds.

Remember, donations from donor platforms and private foundations such as United Way and Benevity are gifts from other charities and not to be tax receipted. You will still want to update your donor files and thank the donor.

5.3 Funds for your Local Congregation

Operating Fund

A typical church operating fund depends on member and adherent donations for a significant proportion of its annual revenue. In recent years, other sources of revenues such as building rentals have grown as a proportion of overall income. The operating fund receives monies intended for the day-to-day operations of church, including paying for the property, salaries, and programming.

Many churches will have special purpose funds arising from bequests or past fundraising initiatives, which can be accessed to support specific expenditures. The most common of these would be a Building or Capital Expenditures fund which reside outside the operating budget but could allow for eligible transfers to help cover certain expenses. Frequently churches choose to separate the accounting for these sorts of expenses because it makes it easier to develop annual budgets when they

distinguish between the sorts of expenses that are incurred every year (like salaries and utilities) and one-off expenses (such as renovations or major repairs).

At a high level, a church operating fund will typically reflect:

Revenue
Contributions
Rental income
Other

Expense
Personnel cost
Denominational assessment
Programming expenses
Building related cost (heat, light insurance, maintenance)
Other

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. 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, their heir or estate, or a complex process through the provincial government.

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.

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 and 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.

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.

Benevolent Fund

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 note that despite good intentions, directing charitable resources to an individual or family in any significant way is considered "private benevolence" and should not be done through the church books. Congregation members could be invited to write cheques directly or perhaps contribute to a "Go Fund Me" page.

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.

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.
10. The church cannot be a conduit for major donations no matter how compelling the situation might be. Have folks donate directly!

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 with a one time, donation from the benevolent fund up to approved amount thresholds. 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.

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.

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. Your gift acceptance policy should assist in making these decisions.
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.

Gifts of Stock, Mutual Funds, and Bonds

A gift of publicly traded stock, mutual funds, or bonds is an increasingly common practice, especially for capital campaigns or making a total yearly gift. There are significant capital gains tax savings when taxpayers transfer any of these to the church.

Note: To receive stock transactions, a congregation needs a brokerage account or access to one. 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 charge an administrative fee for this service which is very competitive with any alternatives out there. Visit The Foundation website and search for "gifts of securities" for more information and the securities transfer form.

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 redeem the security, they pay capital gains tax on 50 percent of the appreciated amount. Giving the securities to charities, without redeeming them first, 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** 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 United Church Foundation, 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 should check with the local congregation to ensure they are agreeable to receiving a gift of securities and have the required brokerage account to do so. If they don't, The United Church of Canada Foundation can receive the shares or mutual fund units, forward the proceeds to the congregation, and issue the tax-receipt, which minimizes the work and oversight for the trustees. Please visit The United Church of Canada Foundation and search for "gifts of securities."

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. The Foundation has an easy-to-use form to facilitate this process.

   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. The United Church of Canada Foundation can also provide assistance.
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.

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, including your community of faith, with just one gift? A personal gift fund with The United Church of Canada Foundation lets them do exactly that. All they need to do is make one donation to their 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 their choice. The Foundation is happy to provide customized forms for gifts of securities (e.g., stocks, mutual funds) that include your community of faith's information to make it easy for your members to designate your congregation.

As mentioned above, giving gifts of securities is beneficial to the donor and can lead to larger gifts for the charities they love, including your community of faith. 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 a donor's gift fund now saves even more money, as well as time. They can give to a charity that does not have its own brokerage account. They can give anonymously if that's what they 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 they set up your personal gift fund with the United Church Foundation, they can go on using it in the future. Through their fund, they 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 or visit The Foundation website.

Gifts in Kind

A donation of property other than cash is called a gift in kind. This could include anything from food materials, silent auction items or office materials.

Your Gift Acceptance Policy should clearly indicate what form of Gifts in Kind will or won't be accepted and under which circumstances.

One key exception is a donation of services, because **a gift of services is not eligible for a charitable receipt**.

A gift in kind to a charity is tax-receiptable and you should provide a tax receipt if the donor insists, however our advice to treasurers is to actively encourage "swapping cheques" instead. Swapping cheques means the church pays the donor for the item and the donor donates that amount back to the church.

Swapping cheques is recommended because:

- Many churches are not set-up to do non cash accounting.
- GST/HST is not tax receiptable so the donor potentially loses out on getting this amount on their receipt, and the church cannot claim the amount as a rebate either.
- Gift-in-kind receipting requires a separate and typically manual receipt.

The CRA Charities Directorate guidelines and educational materials on this topic are excellent and should be referred to.

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, but effective 2024 the name of the appraiser is no longer required. 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.

There are special rules for silent auctions. For example, if a bidder knowing overpays the market value of an item, the difference could be receiptable (but the market value must be stated in advance).

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.

Regulations for a Gift in Kind to qualify for an Official Receipt

To quality 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, refer to section 8.2.

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, and
- 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	$200
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, refer to the CRA website for very useful guidance and examples. There is an entire section on this topic.

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

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. United Church of Canada Foundation staff and Stewardship Support staff can work with your community of faith to develop a giving program for your congregation tailored to your needs. They can also work with

individuals who wish to continue their support of the church after their death and thereby continue to make a difference.

The donor can designate a planned gift to any aspect of The United Church of Canada's work—for example, the local congregation, Mission and Service, The United Church of Canada Foundation, 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 donors develop the language needed in their will to ensure bequests go exactly where intended. The tax benefit of a bequest gift may be used against their 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 (see above for details).

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 and Service, etc.).
- Gifts of life insurance: Donors can either set a United Church ministry as the beneficiary of a current policy, or 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.

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

Other Revenue Sources

Fundraisers

Even though it has often been the tradition to depend on events to fund a significant portion of the budget—dinners, bake sales, etc.—it is unwise to depend on them for a significant portion of the budget. Event fundraising is very labour-intensive and can be a drain on the volunteer resources of the community relative to the amount raised.

Rental Income

Renting congregational property to non-church groups or even to small businesses is increasingly common as communities of faith try to ensure that funding is available for their expenses. 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. If you rent out dedicated space and aren't subject to property tax, it would be prudent to update your lease to reflect that any property tax levy would be added to the rent.

Rental income for our churches is not subject to GST/HST except in very rare circumstances if a congregation has chosen to be a GST registrant.

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.

Most tenants and building users should have their own liability insurance, provide proof of this, and list the church as an additional insured. There is an automated online facility to help building users obtain insurance. Look up "Third Party (Renter) Insurance" on the United Church website.

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.

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 5.3.
- In completing the T3010, we recommend that food costs not be categorized as fundraising expense. The event is also a form a community outreach.

Congregational Outings

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

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 common 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. Refer to 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. A more recent idea is the possibility of installing charging stations for electric vehicles.

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. This should be requested during the application process.

United Church Loan and Grant Programs

The United Church offers a variety of funding possibilities nationally. Some Regional Councils 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. Navigate to the United Church website and search for "capital assistance." Please check to see if these are still available as budget constraints do impact ongoing availability.

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 usually 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 the treasurer home page and resources on the United Church website. Search for "united church treasurer" or "congregational finance".

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 the 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. For more information, navigate to the Foundation website and search for "Grant Opportunities".

5.4 Funds for The United Church of Canada

The Mission and Service Fund

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 and Service to address significant needs in the church and in the world. Through Mission and Service, we support mission and ministry in the church, across the country and around the world. Some mission and ministry is offered by General Council or Regional Council staff or other areas of the church, and some is offered through partners. For the sake of doing God's mission together, congregations inspire, invite, and thank individuals, who then contribute to Mission and Service.

Since the United Church began in 1925, generous Canadians have contributed over $1 billion for Mission and Service.

For more information, visit the Mission and Service webpage.

Mission and Service Treasurer

The treasurer of the pastoral charge and the Mission and Service treasurer may be two different people or may be the same person.

Mission and Service Monies Held in Trust

Section G.4.3.2 of *The Manual* states that there should be a Mission and Service treasurer, gifts 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. Increasingly, there is not a separate treasurer for Mission and Service, although there could be.

Mission and Service gifts are monies held in trust for Mission and Service and may not be used for operating expenses of the pastoral charge or for any other purpose. To do so is illegal.

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

The Mission and 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 and Service.

To request Mission and Service giving program resources and materials, please contact Mission and Service at the General Council Office.

Record-Keeping

The Mission and Service treasurer is advised of contributions each week after the deposit is made to the pastoral charge's Mission and Service account. In addition to contributions received from weekly worshippers and United Church Women, the Mission and 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; and
- dates and amounts of transfers, including cheque numbers or online banking confirmation numbers.

Means of Transferring Mission and Service Gifts

Please transfer Mission and Service gifts monthly to ensure a steady source of funding for the diverse mission and ministries supported by Mission and Service. The Transfer Form can be found at the United Church website. Search for "Transfer Form".

You can transfer your Mission and 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, PO Box 8746, STN A, Toronto, ON M5W 3C2, Attention: Mission and Service.
2. **By online banking:** Set up an online banking account. Transfer Mission and 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 finance-bank@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 finance-bank@united-church.ca with a completed transfer form.

4. **At any RBC branch:** Bring your cheque for Mission and 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 and Service number on the bank slip. When the transfer is completed, send a confirmation e-mail to finance-bank@united-church.cawith 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 finance-bank@united-church.cawith a completed transfer form.
6. **By pre-authorized remittance (PAR):** Set up a monthly transfer to take place on the 17th 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 Financial Services at the General Council Office: 416-231-5931 or 1-800-268-3781.

Completing the Transfer Form

On the Transfer form you will provide the following information:

- Mission and Service number;
- date of transfer;
- calendar year for the Mission and 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 and Service giving from the congregation or pastoral charge, including any groups such as Sunday school gifts;
- amount of Mission and Service giving from the UCW;
- amount, if any, designated for World Development and Relief. This is the only area of work within Mission and 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 and Service treasurer; and
- any change in how you wish to receive the giving reports.

Thank you for ensuring that all Mission and Service gifts are transferred by January 15 in order to be credited to the previous year's Mission and 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 and Service number on each cheque to avoid delays in processing.
3. Please do not combine Mission and 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 and Service transfers are being sent in one envelope, write a separate cheque for each—with the identifying Mission and Service number on the back—accompanied by a transfer form or instructions in the form of a letter or note attached to the cheque.

The Transfer Form can be found at the United Church website. Search for "Transfer Form".

Transferring without a Form

1. If you do not have a transfer form, you can request one (contact info above), or you can transfer your contribution to Mission and 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 and Service number on the e-mail or letter to accompany a cheque (with the Mission and 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 and Service Bequests through Local Congregations

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

1. If the bequest is to be credited to the Mission and Service giving of the pastoral charge, include the amount of the bequest in your regular Mission and Service transfer.
2. If the bequest is not to be credited to the pastoral charge Mission and Service giving, 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 and Service transfer or about the record of your Mission and Service giving, contact Financial Services at the General Council Office: 416-231-5931 or 1-800-268-3781. Necessary details to help resolve your issue quickly include the Mission and Service number and transfer or giving report date.

Giving Report and Transfer Form

After your Mission and 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 and 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 goal set by the pastoral charge, or comparing the current level of giving with the previous year's total; and
- 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, contact Financial Services at the General Council Office: 416-231-5931 or 1-800-268-3781.

Sample Mission and Service Record

Date		Mission and Service Receipts	
20___ Jan	5	Envelopes	$ 347.25
	5	Church School	
	12	Envelopes	
	12	Church School	
	19	UCW Contributions	
	19	Envelopes	
	19	Church School	
	26	Envelopes	
	26	Church School	
	26	Special (*please provide details*)	
	26	WDR (World Development and Relief)	
		Total for month	
Feb.	2		
	2		
	9		
	9		
	16		
	16		
	16		
	23		
	23		
		Total for month	
		Total to date	

Denominational Assessment

All congregations are required to pay their annual denominational assessment which is calculated each year based on reported revenues and a small levy on investments. In other charitable settings, this might be called membership dues.

The Denominational Assessment

- funds regional and denominational governance work;
- ensures that all pastoral charges share in a proportional and transparent way in the costs of the broader church; and
- dedicates the use of Mission and Service donations to fund the church's ministry and mission.

Assessment by the broader church is a core operating cost of a United Church in good standing. Section G4.2.4 of *The Manual* provides that, in terms of priority of payment, the first priority is to pay staff and related costs, and the second is to pay the assessment. The assessment is a core cost to be managed.

How to Find your Community of Faith's Assessment

The current year assessment billing statement is available online together with all pastoral charge statistics reports. You will need your ChurchHub.ca web portal access. You will need to log in to your ChurchHub account to access your assessment information. Once you are logged in, go to the Assessment tile, select Reports, then Assessment Invoices, and then download the PDF.

Every Community of Faith is required to fill out statistics annually, including statistics on their financial situation. These statistics are used to calculate the target assessment, which is 4.5% of net revenue and 0.25% of the value of investments over $100,000. If the annual statistics are not submitted in any given year, the information that was on file is carried forward. It is critical that all communities of faith submit their annual statistics in a timely manner because these directly impact their assessments.

How to Remit Payment

For those paying by pre-authorized payments, no action is required as your payments will be automatically updated for the current year unless your banking information has changed.

If your community of faith has not set up a pre-authorized payment schedule, we recommend using Internet banking transfers for this procedure.

PLEASE NOTE: There is a new mailing address if paying by cheque. Please make it payable to The United Church of Canada and mail it to:

Assessments—The United Church of Canada
PO Box 8746, STN A,
Toronto, ON M5W 3C2

All forms of payment must include DA and your Mission and Service number in the memo line so it is credited to the correct account.

Annual payments are due February 1.

Quarterly payments are due February 1, May 1, August 1, and December 1.

Pre-authorized monthly payments will be drawn in 11 installments on the first of the month from February through December.

Questions?

If you have any questions or concerns, please e-mail us at assessments@united-church.ca, or navigate to the United Church website and search for "Assessment Process".

Emergency Appeals

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 and 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 and 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 United Church of Canada, PO Box 8746, STN A, Toronto, ON M5W 3C2, Attention: Mission and Service.

5.5 CRA Reference Guides

Charities and giving webpage

Or, Google "CRA Charities". The website is well laid out by key topic areas.

Gifting and Receipting: P113

IT297R2 *Gifts in Kind to Charity and Others*

IT226R *Gifts to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust*

IT288R2 *Gifts of Capital Properties to a Charity and Others*

6. Good Management Practices

6.1 Managing Expenses

Disbursements are usually made in one of three 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.

Making Pre-Authorized or Online Payments

Increasingly, 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.

The denominational office is trying to support and encourage electronic payment at every opportunity as a means to reduce administrative cost and provide faster, more trackable service to all stakeholders. Congregations are encouraged to submit all payments to the broader church by electronic means. Over 3/4 of all denominational payments are now made electronically.

The most current instructions and methodologies for payment can be found online.

With disbursements, depending on your financial institution, and the operating terms of the church bank account, you may need to find a workaround. Each bank seems to have their own rules on how online banking is handled when you require two signatures on cheques. It would be best to meet with your customer service representative at the bank to see what your options are to get this set up. You would want to have facility to make and receive electronic payments as well as accommodate pre-authorized expense payments.

In order to speed up the process, we recommend having your Council pass the necessary motions authorizing the treasurer (or whomever) to set up the online banking for your church. The bank may also require a two-step authentication process that will allow access to the account.

For internal control purposes, your finance committee (or similar) should still want to have the invoices/bills, etc. approved/reviewed by more than one person and then only have the treasurer sign-in to do the actual transactions. We say only allow the treasurer online access, but there should also be a provisional backup for business continuity. If a treasurer becomes incapacitated for any reason, there needs to be

someone who can step in and has the necessary electronic access codes and accounts. In the snail mail world, we recommend the treasurer home address not be used for official church contact with CRA for the same reason.

Cheques

We anticipate the use of cheques to continue to decline; however, they will still be needed occasionally, and all the traditional controls would still be 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

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 in your pastoral charge responsible for financial matters 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 in your pastoral charge responsible for financial matters should go to the bank together. Make sure you carry enough burglary and theft insurance to protect you against loss.

Contributions to Mission and 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.

Controls should also be in place for all forms of electronic transactions. Similar principles should be applied, but since only one person can sit at a computer, transactions should be pre-approved, or subject to post data entry validation. Monitoring the bank reconciliation and any e-transfer account activity would serve this purpose.

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.

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. In the case of online processing, alternative safeguards should be in place.

- Cheques are signed by two signing officers who are at arm's length. Provision can be made to have one signer for smaller amounts.
- 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 reviews 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.

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, review 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 reviewing 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. Cloud-based storage solutions are also increasingly common and will likely be the standard soon.

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. 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 congregation. *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.

Where still applicable, 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. 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 final financial statements for the fiscal year 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.

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 in your pastoral charge responsible for financial matters;
- 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 and 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; and

- 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.

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. Section 5.3 has more on restricted funds.

Audits Are Good Stewardship

An annual audit/independent review 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; and
- 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 or any form of review is not a sign of distrust.

- It is a mark of responsibility.
- It is good stewardship demonstrated for all.
- 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, regional council 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.

All statistics related forms are available on Church Hub, as are historical reports for each pastoral charge, assessment statements, etc.

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 Church Hub.

If you need assistance or are missing information, we encourage you to call or e-mail the Information and Statistics Coordinator: 416-231-7680 or 1-800-268-3781.

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.

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, refer to socan.ca.

Copying or Projecting Hymns

The easiest legal way for your church to make copies of hymns from *Voices United, More Voices, Nos Voix Unies,* or *Then Let Us Sing!* is to purchase licences from One License (OneLicense.net). Starting in summer 2025, United Churches receive a preferred rate. If your choir or others often sing other praise or related songs not part of the above hymnals, you may also require a license from CCLI (ccli.com) or similar.

"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.**

If you livestream or record and then post your service online, an add-on streaming or podcasting license is likely also required.

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 united-church.ca/handbooks provides further information.

6.6 Using Modern Technology and Software

The Covid crisis accelerated technology use in the church—including a dramatic pivot to online worship. Technology is now a given, and we highlight some best practices. Of particular focus is the need for cybersecurity measures including virus protection, spam filtering, and being able to identify increasingly sophisticated scams and phishing attacks.

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

- Access to CRA Charities Directorate resources and online filing through My Business Account.
- Access to United Church of Canada online resources and tools including requisite maintenance of a Church Hub account. Church Hub is the core database supporting communications, church statistics, and denominational assessment.
- Access to CHURCHx account which is the core database for reference and training resources for the United Church.
- 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.

Data Integrity and Security

You need to maintain the safety and integrity of the data stored on computers in exactly the same way you would the safety and security of your church's paper records. With electronic records increasingly being the primary means of record retention, it becomes even more important to appropriate safeguards.

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. One must also be attentive to how prevalent cyber attacks and frauds have become.

- The need for backups cannot be overemphasized. The hard drive of any computer can physically fail (crash) or be compromised by computer viruses. This, in turn, can result in loss of 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.
- It is essential that virus and malware protection be kept current
- Use of cloud-based storage solutions is a way to off-load this key responsibility to experts

Responsibilities

- Ideally, important congregational data should not be stored on a home or business computers, 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 or in a cloud-based application. 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.
- Every user should have their own access account with secure password for any of the applications they use. Sharing accounts and/or passwords increases the risk of problems arising and reduces the audit trail.

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.

Increasingly, software solutions offer different user profiles—each with its own account name and password—to control or limit data access. To have cyber insurance coverage, churches will increasingly be required to warrant that they have up to date

safeguards such as multi-factor authentication, current standard virus protections and firewalls etc.

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.

Generally, it is not worth the trouble.

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.

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 consideration of what applications will need to be supported.

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, at time of writing, limited financial support was available in the form of Technology Support Grants. Further information on capital assistance is available on the United Church website.

Churches are also eligible for free software or discounts available to non-profit organizations. We highly recommend TechSoup, provides these sorts of donations and discounts for registered charities in Canada, for a very low administrative fee.

Choosing Hardware and Software

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
• You can specify exactly what the software will do. You may not be able to get exactly what you want in purchased software.	• You must document the application carefully so you (or others) can continue to use it or modify it in the future.
• You may be able to interrelate data in ways not possible with several software packages.	• Developing your own application may require more skill and experience than you expect.
• You may be able to design reports and screen displays to look exactly as you want.	• 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.
• It may be cheaper to buy a single piece of software and then develop the application.	• 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.
• You may find open-source solutions that already fill a number of your needs that require less adaptation.	• A 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.

Who Can Use the Computer?

Sharing of the "church computer" used to be common, but increasingly each staff member and volunteer is using their own.

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. Each computer user should be assigned their own account with good password security.

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 church computer(s) 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.

Maintenance

If this is not already full automated, 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.

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 united-church.ca. Some service providers will help you establish a congregational or pastoral charge website.

Volunteers can also help you establish yourself electronically.

Essential External Accounts to be established and maintained

Every church treasurer or designate(s) should have accounts established for:

- ChurchHub—The United Church of Canada stakeholder database is used to maintain the addresses for bulk e-mail communication and user update of key data. For treasurers, this is where you will find your denominational assessment information including invoices.
- CRA Charities Directorate / My Business Account—This is the preferred vehicle for dealings with the CRA including annual filings. Each charity should have at least one authorized key contact plus a backup. The national office provides a help desk service to troubleshoot registration at CRAhelp@united-church.ca.
- CHURCHx—The agency that hosts the United in Learning program. This educational program from the General Council office includes a wide variety of treasurer training materials and presentation decks on how to handle the more complex aspects of the treasurer role.

6.7 Record Retention

As a general rule, all records must be retained according to a CRA-prescribed retention schedule 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.

This applies to offering envelopes as well (a change implemented in 2016).

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; and
- other records and books of account.

It is recommended that insurance policies be kept 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; and
- 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 and the most current information, check the CRA Charities Directorate main web page.

Record Retention Checklist

While you should consult the Income Tax Act, this checklist[1] gives the general requirements for retaining certain types of records for registered charities (incorporated and not). Check the CRA Charities Directorate website for most current retention list.

- ❑ **Copies of official donation receipts** (other than for 10-year gifts) 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. Donation envelopes used to have a shorter retention, but are now the same six years as everything else.

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.

[1] Canada Revenue Agency, "Keeping Adequate Books and Records," from canada.ca/en/revenue-agency/services/charities-giving/charities/checklists-charities/keeping-adequate-books-records.html

Copies of key documents and records should also be kept in a separate location (preferably offsite) for backup purposes. Scanning documents and having electronic backup is best practice.

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:
- ❑ Denominational Assessment invoice paid. 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

The United in Learning program on CHURCHx hosts a network on Church Property, and we recommend that congregations appoint a representative to attend their webinars and stay up to date on all these matters.

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, and also whether you would even replace everything in the event of a total loss. Many congregations are concluding they would build a much smaller footprint.

Here are some key points to know about property insurance:

1. No one is really happy about having paid insurance premiums insurance until they have a claim that is paid.
2. Replacement cost can be many times the market value cost shown on a property tax statement or sales listing.
3. Full replacement cost includes the cost of clearing the site after a total loss. This amount is typically included in an appraisal.

4. Even if want to have no property insurance, you need to insure for at least wreckage value which provides for clearing the site.
5. In the event of a total loss, full replacement value is only paid out if you fully replace by rebuilding. Otherwise, the amount payable is the depreciated value of the building.
6. 95% +of claims are for smaller, more frequently occurring partial losses. This is why you don't get a proportional saving if you reduce your replacement amount.
7. The reason you want tenants and others to have their own insurance is so your rates don’t go up because of their actions which you don't control.
8. An empty building is at much greater risk of an insurance claim than a building in active use. This is why premiums are higher and why notification is essential to maintain coverage.
9. It is prudent to notify both the congregation and the regional council if a decision taken to not insure for full replacement value. Some regional councils may require a formal approval to do so.

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. For this reason, the General Council Office has paid for an umbrella Directors and Officers liability policy since 2010 that covers all united church congregations in good standing.

Even groups that don’t have a building should still obtain Comprehensive General Liability coverage to protect against claims of abuse or negligence. The first thing this coverage does is to provide and pay for legal costs for any claim that the church is at fault.

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. At time of writing, a very cost effective online third-party insurance program is available which facilitates the purchase of needed coverage—including immediate issuance with the local church listed as additional insured. Search “insurance” on the United Church website.

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; and
- 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. The definition of “adequate” however will depend on local circumstance. Many congregations might not want to replace at all, or replace a total loss with a smaller building. It is strongly recommended that any departure from full replacement cost coverage be thoroughly communicated to the congregation.

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
- Cyber risk insurance

Refer to the *Trustees Handbook* on the United Church website for more information.

UCC Protect United: General Insurance Plan for Congregations

UCC Protect United (formerly The General Insurance Plan of The United Church of Canada) is a captive insurance program funded by the General Council and created for the sole purpose of helping united church entities obtain customized insurance at reasonable cost.

The program is administered by Hub international which 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 United offers the following insurance policy coverages: Property, 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 Direct offers premium savings arising from the General Council Office participating in the risk, and reduced brokerage commission. Because of the large number of participants in the program, the plan enjoys the benefits of volume discounts and group buying power

Coverage Highlights

For the most up to date information on this program, navigate to the United Church website and search for "UCC Protect".

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.

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, and 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

Google "UCC Protect United" for the most current contact information. If your insurance is currently being arranged through and handled by your local congregational insurance broker, you would need to complete a new application for the captive insurance program and forego the local relationship as no local commission is paid.

As of 2024, the General Council Office has purchased annually renewal call centre support for all United Church congregations experiencing a cyberattack, malware, or ransomware. This coverage is annually renewable and will be continued if national budgets allow. Details of the Emergency Cyber Breach Response Service are available on the insurance web page. We have registered two contacts per pastoral charge with the call centre, but this should be updated when local contacts change.

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 found on the United Church website.

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.*

Every congregation should have an investment policy. In developing the policy, address the issues of how much return on investment you target versus 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 online, and the Foundation offers guidance on developing a 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; and
- process for regularly reviewing the investment performance and also the policies and objectives.

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.

As a general rule though, congregations should be investing in assets that are relatively liquid and therefore could be sold immediately to access needed cash.

More current responsible investment information is available on the United Church website.

8. Maintaining Charitable Status

There are ongoing changes and refinements with the Canada Revenue Agency (CRA) and its Charities Directorate which must be monitored. The easiest way to do this is to subscribe to their e-newsletter and the "Webinars for Church Treasurers" series hosted by the United in Learning program on CHURCHx. The CRA has made major improvements to their website and made information much easier to access. Their Charities and giving web page is a must bookmark.

8.1 File a T3010 Registered Charity Information Return

The T3010 form is revised almost annually, so care must be taken to use the correct year form for your annual filing. Fillable forms are available on a number of websites and the preferred method for submission now is upload to My Business Account. Snail mail submissions are still accepted, but like everything else, electronic is faster and provides for online follow up.

For assistance with completing this form, a walkthrough webinar is updated regularly on CHURCHx, in the "Library of Timeless Content" on the course page for the "Webinars for Church Treasurers."

The form design and changes reflect whatever emerging concerns or regulatory changes are happening. Ongoing concerns include scrutiny around the use of external fundraisers, monies sent abroad, and ineligible tax receipting.

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. It also sends reminders just prior to the filing deadline.

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.

Items to Note on the T3010 Return

We update a recorded webinar on this topic frequently as changes arise. The most current version and copies of the webinar slides can be found in the "Webinars for Church Treasurers" found at CHURCHx.

- 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. Even if you are in the midst of closing, it is best not to answer this question "yes" until all assets are distributed (including any sale of property.
- A3 Check "No."

Section B: Directors/trustees and like officials on form T1235

- The T1235 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.

NOTE: Do not put end date for any position unless that person is no longer serving. The CRA uses the list to identify active governors who they would be allowed to speak to on the phone.

- 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 and Service."
- C3 In most cases, check "Yes" and fill in the T1236 Qualified Donees Worksheet. United Church of Canada—Mission and Service is a qualified donee. State the amount of Mission and Service donations. The BN/registration number for Mission and Service is 108102435RR0003. List all donees from the largest to the smallest. Mission and Service is NOT an associated charity as defined by CRA even though this sounds counter-intuitive. "Associated Charity" is a very technical term that simply doesn't apply.
- C4 Most congregations will check "No." If "Yes," you'll need to complete a detailed Schedule 2.

- Schedule D is typically for the smallest charities that do not have property or investments. Most united churches will need to use Schedule 6.

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 no longer required!

- Schedule 7 Political Activity has been deleted.
- Schedule 8 has been added to force charities to do a disbursement quota calculation. This schedule must be completed, but virtually all united churches will meet the threshold and not be impacted.

Country codes

AF-Afghanistan
AL-Albania
DZ-Algeria
AO-Angola
AR-Argentina
AM-Armenia
AZ-Azerbaijan
BD-Bangladesh
BY-Belarus
BT-Bhutan
BO-Bolivia
BA-Bosnia and Herzegovina
BW-Botswana
BR-Brazil
BN-Brunei Darussalam
BG-Bulgaria
BI-Burundi
KH-Cambodia
CM-Cameroon
CF-Central African Republic
TD-Chad
CL-Chile
CN-China
CO-Columbia
KM-Comoros
CD-Democratic Republic of Congo
CG-Republic of Congo
CR-Costa Rica
CI-Côte d'Ivoire
HR-Croatia
CU-Cuba
CY-Cyprus
DK-Denmark
DO-Dominican Republic
EC-Ecuador
EG-Egypt
SV-El Salvador
ET-Ethiopia
FR-France
GA-Gabon
GM-Gambia
GE-Georgia
DE-Germany
GH-Ghana
GT-Guatemala
GY-Guyana
HT-Haiti
HN-Honduras
IN-India
ID-Indonesia
IR-Iran
IQ-Iraq
IL-Israel
PS-Israeli Occupied Territories
IT-Italy
JM-Jamaica
JP-Japan
JO-Jordan
KZ-Kazakhstan
KE-Kenya
KP-North Korea
KR-South Korea
KW-Kuwait
KG-Kyrgyzstan
LA-Laos
LB-Lebanon
LR-Liberia
MK-Macedonia
MG-Madagascar
MY-Malaysia
ML-Mali
MU-Mauritius
MX-Mexico
MN-Mongolia
ME-Montenegro
MZ-Mozambique
MM-Myanmar (Burma)
NA-Namibia
NL-Netherlands
NI-Nicaragua
NE-Niger
NG-Nigeria
OM-Oman
PK-Pakistan
PA-Panama
PE-Peru
PH-Philippines
PL-Poland
QA-Qatar
RE-Réunion
RO-Romania
RU-Russia
RW-Rwanda
SA-Saudi Arabia
RS-Serbia
SL-Sierra Leone
SG-Singapore
SO-Somalia
ES-Spain
LK-Sri Lanka
SD-Sudan
SY-Syrian Arab Republic
TJ-Tajikistan
TZ-United Republic of Tanzania
TH-Thailand
TL-Timor-Leste
TR-Turkey
UG-Uganda
UA-Ukraine
GB-United Kingdom
US-United States of America
UY-Uruguay
UZ-Uzbekistan
VE-Venezuela
VN-Vietnam
YE-Yemen
ZM-Zambia
ZW-Zimbabwe

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 ☐	$1 – $39,999	310 ☐	$40,000 – $79,999	315 ☐	$80,000 – $119,999
320 ☐	$120,000 – $159,999	325 ☐	$160,000 – $199,999	330 ☐	$200,000 – $249,999
335 ☐	$250,000 – $299,999	340 ☐	$300,000 – $349,999	345 ☐	$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
		☐	☐	☐
		☐	☐	☐
		☐	☐	☐

Gifts in kind — Schedule 5

1 Tick all types of gifts in kind received for which a tax receipt was issued:

500 ☐ Artwork/wine/jewellery	525 ☐ Ecological properties	550 ☐ Publicly traded securities/ commodities/mutual funds
505 ☐ Building materials	530 ☐ Life insurance policies	555 ☐ Books
510 ☐ Clothing/furniture/food	535 ☐ Medical equipment/supplies	560 ☐ Other
515 ☐ Vehicles	540 ☐ Privately-held securities	565 Specify: _____
520 ☐ Cultural properties	545 ☐ Machinery/equipment/ computers/software	

2 Enter the total amount of tax-receipted gifts in kind ..... 580 $

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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	$	**Amount included in lines 4150, 4155, 4160, 4165 and 4170 not used in charitable activities**	4250	$
Other assets	4170	$			
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	$

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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	$

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	$

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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	☐	☐	☐	☐
Conferences, workshops, speeches, or lectures	701	☐	☐	☐	☐
Publications (printed or electronic)	702	☐	☐	☐	☐
Rallies, demonstrations, or public meetings	703	☐	☐	☐	☐
Petitions, boycotts (calls to action)	704	☐	☐	☐	☐
Letter writing campaign (printed or electronic)	705	☐	☐	☐	☐
Internet (website, social media (Twitter, YouTube))	706	☐	☐	☐	☐
Gifts to qualified donees for political activities	707	☐	☐	☐	☐
Other (specify):	708	☐	☐	☐	☐

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 intenced 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

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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 online and can be printed for snail mailing or uploaded to My Business Account.

Keep a copy for your files.

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 usually won't but might jeopardize the congregation's ability to meet the most current disbursement quota threshold applied to charities.

At time of writing, the disbursement quota as calculated on Schedule 8 of the T3010 is now 3.5 percent of the assets not used for charitable activity up to $1 million and 5.0% thereafter. The likelihood of any church renovation project going offside is low, but if you think there is a risk you could request approval. 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.

What to Include in Receipts

The CRA has issued very detailed rules relating to receipts and comprehensive information on Charities Directorate website. This section highlights some of the major requirements.

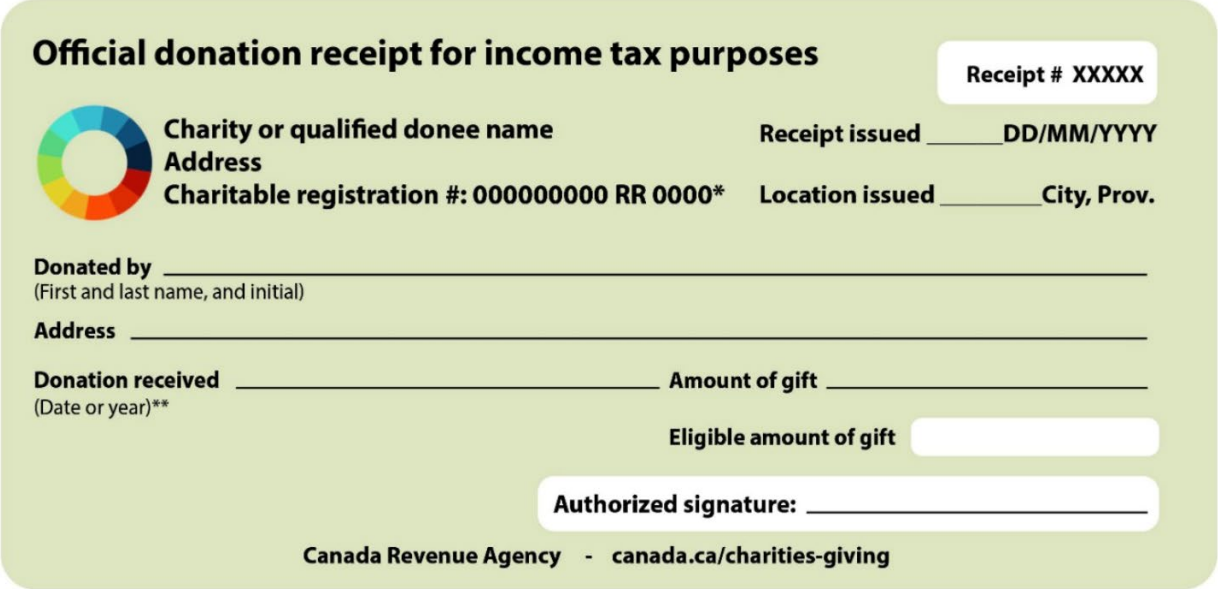
Government regulations require that a charity issue receipts in duplicate. The original is sent to the donor and the duplicate is kept on file for possible audit. In Quebec, receipts must be issued in triplicate and two copies sent to the donor. It is important that the total amount for which receipts are issued agrees with the total recorded in the church books and financial statements.

For sample receipts and all related guidance, go the CRA Charities Directorate website.

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—currently canada.ca/charities-giving;
- a unique serial number;
- the amount of the donation; and
- the signature of the authorized signing officer.

Sample Charitable Receipt from the CRA website



Official donation receipt for income tax purposes

Receipt # XXXXX

Charity or qualified donee name
Address
Charitable registration #: 000000000 RR 0000*

Receipt issued _____**DD/MM/YYYY**

Location issued _____**City, Prov.**

Donated by _____
(First and last name, and initial)

Address _____

Donation received _____ **Amount of gift** _____
(Date or year)**

Eligible amount of gift

Authorized signature: _____

Canada Revenue Agency - canada.ca/charities-giving

Since all charges 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…". Generally though, everyone should be using an electronic solution. This could be an excel spreadsheet with a mail merge for producing the actual receipt.

Where the donation is a gift of property other than cash, include a brief description of the property, 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 5.3 for more on determining the amount.) The 2024 federal budget proposed eliminating the need to list the name and address of the appraiser, but this could mean greater audit scrutiny of unusual gifts.

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.*

When Not to Issue Receipts

The CRA has set out a number of situations in which 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 (Chapter 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; and
- donations made for a specified person or family.

Note: A charity can always buy services or non receiptable items if they are defensible purchases needed for charitable operations—with the hope that the payment amount is donated back.

Most receipting for congregations is straightforward because most of the income comes from offerings collected on Sunday mornings or through electronic means. 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.

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

What Is the Disbursement Quota (DQ)?

The disbursement quota is a prescribed amount that registered charities must spend each year on charitable activity to maintain their charitable registration. **The CRA used to calculate this for you, but effective 2023 a new Schedule 8 was added to the T3010 to ensure the charity takes ownership of the calculation. As long as the T3010 return is completed correctly, DQ will usually not be a problem. Very few congregations in the United Church—if any—are affected by this.**

The purpose is to ensure charities use charitable funds for charitable activities, and to discourage charities from spending excessive amounts on fundraising and/or accumulating excessive funds.

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 up to the first $1 million and 5.0 percent thereafter.
- The new DQ only applies where the property is in excess of $100,000.
- Charities can access capital gains from endowments to meet the 5.0 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 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. One new exception to this rule is the addition of the T1441 form for gifts to non qualified donees that meet prescribed due diligence and oversight requirements. This came into effect in 2023.

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. It would now however need to be reported on the T1441.

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 as listed on the contacts reference guide.

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-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. This continues to be an evolving field with great societal interest in social enterprise and social finance.

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," or "poverty reduction" which are the only "charitable ends" 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 congregation could potentially invest in social enterprises as long it is clearly a passive investment as opposed to operating a business.

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 considered 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 considered 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: Is more of the congregation's energy going into the business than into the mission of the congregation? Could the congregation carry out its purpose without the business?

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.

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.

Church–Business Partnerships

There are always new and emerging proposals being made to congregations with the promise of potential revenue. One example is offering congregations 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; and
- 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; and
- 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 and electronic versions of it, continue to be debated 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.

8.8 Limit Political Activity

This is an area that received considerable public attention in recent years but has been de-emphasized by the CRA which discontinued 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" and poverty reduction.

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.

8.9 Charitable Registration

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, GST/HST 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, refer to the Charities Directorate website.

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; and
- 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 Charities Accounting Act, R.S.O. 1990, c. C.10).

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.

As with other topics, the online CRA resources are excellent, and the application process itself is generally now online.

If the CRA revokes an organization's charitable status, it is most often at the request or with the consent of a charity, or is due to an administrative lapse. These are not the ones that make the press.

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. Congregations can usually get by with advice from regional council and/or General Council Office staff. A comprehensive webinar is available on this topic in the Library of Timeless Content, as a part of the "Webinars for Church Treasurers" presented through the United in Learning program on CHURCHx.

New church registrations are relatively straightforward, but care must be taken where a multi point pastoral charge is splitting up. If this happens, one of the points will keep the existing charitable number and the other point(s) will need to apply for new charitable status. This will require ongoing cooperation between the points as obtaining new status might take several months. In effect, the pastoral charge continues as it was administratively until the new registration is approved by CRA.

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 considerable online tools and support for applicants.

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.

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 are:

- 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 insists on final approved legal documents with an application, so it may be prudent to have legal review for atypical cases.

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—usually June 30. 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. You would also need to submit all missing T3010s.

Sanctions

To encourage charities to comply with the Income Tax Act, there are a range of intermediate sanctions to supplement the ultimate penalty of loss of charitable status. 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; and
- inappropriately transferring funds.

The CRA provides a full list of infractions and their penalties. Navigate to the Government of Canada website and search for "Penalties and suspensions for registered charities."

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, and
- 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.

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 the requisite application forms and the CRA increasingly promotes doing so online.

- Organizations applying for re-registration must also include a certificate of good standing (Q9.1c on form T2050). **This Letter of Good Standing is issued by the General Council.** Contact our office to request a copy if you need this.
- 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. If more than 4 years are outstanding, then a brand-new application is required.
- 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 apply refer to the CRA website and the webinar in the Webinars for Church Treasurer's course page on CHURCHx.

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.

United Church congregations are considered internal divisions of the nationally incorporated The United Church of Canada.

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).

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* (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 website and consult resources included with the "Webinars for Church Treasurers" at CHURCHx.

The CRA website says that they will no longer accept paper applications for charitable status. To fill out the online form, navigate to canada.ca and search for "apply to become a registered charity." If you have difficulty accessing the digital services, or have questions regarding the application, you can contact the Charities Directorate.

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:

- 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, currently canada.ca/charities-giving;
- a unique serial number;
- the amount of the donation; and
- the signature of the authorized signing officer.

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. Of the approximately 86,000 charities and foundations active in Canada, over 2,000 are United Church entities!

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 consider 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, or incurring sub-market costs. 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.

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. 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.

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 new guidance issued in 2024 regarding gifts to non qualified donees.

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.

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.

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 has been 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. United Churches should always request amalgamation.

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 know much 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 regional council in the United Church has detailed procedural documentation to support this kind of activity. There is also a webinar for church treasurers on CHURCHx that focuses on the CRA aspects of orderly amalgamation or closure to ensure that revocation tax does not come into play.

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. There is also an additional CRA filing requirement–T2046.

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. We recommend organizing the financial closure such that a T2046 would be a “nil report” with all zeroes.

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; and
- 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; and
- 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. Accordingly, this approach is preferred for united churches because it simplifies asset transfer and the handling of any bequests down the road.

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?

A business number (BN) 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 the Finance department of the General Council Office.

If charitable receipts show a church 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. Therefore, it is prudent to check what the official name is on CRA records and potentially update it or add "aka" (also known as) wording. This is especially true for multi point charges.

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 can choose which BN it retains and should include this information in the submitted request to CRA

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. This approach might be applicable in certain outreach ministry settings.

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.

Amalgamation is the highly recommended approach for church entities because the new entity is legally the successor entity to all the amalgamating entities. If a bequest

is received in the name of a predecessor church, the documented amalgamation allows for acceptance of the bequest without having to go to court.

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

All of the forms and publications needed to get and keep charitable registration are available on the CRA website and best organized by topic under the Charities Directorate page. Most forms are now fillable online and can be submitted electronically through use of the My Business Account function.

Getting Charitable Status—see online tool

T2050	Application to Register a Charity under the Income Tax Act
T4063	*Registering a Charity for Income Tax Purposes*

Operating Day to Day

XE8	Application for Refund of Federal Excise Tax on Gasoline
IC78-10R4	*Books and Records Retention/Destruction*
T4033	*Completing the Registered Charity Information Return*
IT-64R4	*Corporations: Association and Control*
IC97-2R9	*Customized Forms*
IT-407R4	*Dispositions of Cultural Property to Designated Canadian Institutions*
IT-226R	*Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust*
IT-288R2	*Gifts of Capital Properties to a Charity and Others*
IC84-3R5	*Gifts to Certain Charitable Organizations Outside Canada*
P113	*Gifts and Income Tax*
IT-244R3	*Gifts by Individuals of Life Insurance Policies as Charitable Donations*
IT-297R2	*Gifts in Kind to Charity and Others*
S7-F1-C1	*Split-Receipting and Deemed Fair Market Value*
RC4082	*GST/HST Information for Charities*
IC75-23	*Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*
S1-F5-C1	Related Persons and Dealing at Arm's Length
T3010	Registered Charity Information Return
T2094	Registered Charities: Application to Reduce Disbursement Quota
IC77-6	Registered Charities: Designation as Associated Charities
RC4106	Registered Charities: Operating Outside Canada
T1240	Registered Charity Adjustment Request

Keeping Charitable Status

T4118	*Auditing Charities*
T2093	Contributions to a Candidate at an Election—Information Return
T2092	Contributions to a Registered Party or to a Registered Association—Information Return
T2140	Part V Tax Return—Tax on Non-Qualified Investments of a Registered Charity
T913	Part XI.2 Tax Return—Tax for the Disposition of Certain Properties
T2046	Tax Return Where Registration of a Charity Is Revoked

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. The 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: The 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: The 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.

Top 10 CRA Compliance Issues

This is a composite list compile from CRA Charities Directorate newsletters and reported United Church experiences of 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. See also the United Church webinar on CHURCHx.
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. Effective 2023, gifts to non qualified donees are to be reported on the T1441 form.
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; and
   - 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; and
   - 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* (available on the United Church website, under Handbooks

and Guidelines; the Model Trust Deed is at the end of *The Manual*). 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.

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; and
- most recently, levies for Underused Housing.

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.

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.

As a general rule, shared space arrangements do not usually attract property tax, but if a portion of the building is rented out and dedicated to a non religious use, there is a good chance of property tax being levied on a pro-rata basis.

If you are entering into a lease arrangement, it is best practice to include provision for what would happen to the rent or who would be accountable in the event of a newly-levied property tax.

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.

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; and
- 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 and Labrador. 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. From 2022 onwards, there is also disclosure required around the use of the building for housing (Underused Housing Tax disclosure).

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 Regional Council 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; and
- 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)—and where applicable Harmonized Sales Tax (HST). 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) have 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). It is important to recognize the different taxes—particularly where there may be some residual provincial sales tax on certain items, most notably insurance premiums. The charity rebate is available for the provincial portion of GST/HST but not for the separate provincial sales tax (as applicable).

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 usually 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 building rentals and services (such as craft sales) provided by volunteers.
- Some types of goods and services, such as religious literature and sanctuary furnishings, may be 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.
- Real estate sale transactions and land transfers are generally exempt if the seller is a charity.

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. Best practice is to charge and be seen to charge a fair market rate.

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; and
- 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—and that should be virtually all—may still claim the 50 percent GST rebate and HST as applicable.

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. While private tax consulting firms can assist you in determining which rebates you should pursue, these firms charge significant fees. The generic guidance offered in this handbook and online CRA resources should allow you to ensure appropriate handling.

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 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); and
- in addition, rental income is not considered a taxable supply.

Provincial legislation makes similar exemptions, citing such factors as

- the sales are not advertised to the public;
- they are not competing with another vendor; and
- the sales do not occur weekly or monthly (e.g., it is a rummage sale rather than a commercial flea market run every Sunday).

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 5/105 for GST and 13/113 for HST. The rebate would then be 50 percent of the amount calculated.

Province	**On or after October 1, 2016**				
Alberta	5%				
British Columbia	5%				
Manitoba	5%				
New Brunswick	15%				
Newfoundland and Labrador	15%				
Northwest Territories	5%				
Nova Scotia	15%				
Nunavut	5%				
Ontario	13%				
Quebec	5%				
Prince Edward Island	15%				
Yukon	5%				

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.

To reiterate, very, very few congregations are or would benefit from GST registration. Outreach ministries generally would be incorporated and would be GST/HST registrants.

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.

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. This form comes with a guide that explains how to complete it. 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); and
- 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 5/105 or for HST 8/108 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.

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; and
- rental income.

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); and
- 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.

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

- RC4082: GST/HST Information for Charities
- GST rebate process: GST66 Rebate application form
- RC7066-SCH: Provincial Schedule—GST/HST Public Service Bodies' Rebate

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 (section 5.3).

The congregation must exercise direction and control of the receipted donation and must ensure it is not acting as a conduit. Refer to the CRA website for more detail on receipting guidelines.

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.

NOTE: Because the sponsorship process can be quite protracted, refugee sponsorship is the one exception to the rule prohibiting fundraising to benefit a known individual(s). In many cases, a family has been identified while fundraising still underway.

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. Funds donated as a voluntary, receiptable contribution to refugee sponsorship more generally are not refundable—just like regular charitable donations.

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.

11. Congregations and Overseas Mission

At time of writing in 2025, federal compliance requirements with regard to charitable work have been updated in an effort to be more flexible. These are documented in the CRA guide CG-032.

In particular, grants to non-qualified donees—whether in Canada or not—are allowed, subject to proof of ongoing due diligence and oversight. Such grants are to be reported on the new T1441 form "Qualifying Disbursements and Grants to Non-Qualified Donees." Most local congregations may find the requirements onerous, and prefer to stick with supporting global ministry other entities that are qualified donees, or subject to traditional "direction and control" criteria.

> ***Qualifying disbursement*** means a disbursement by a charity, by way of a gift or by otherwise making resources available,
>
> **(a)** … to a qualified donee, or
>
> **(b)** to a grantee organization, if
>
> **(i)** the disbursement is in furtherance of a charitable purpose (determined without reference to the definition charitable purposes in [subsection 149.1(1) of the Income Tax Act]) of the charity,
>
> **(ii)** the charity ensures that the disbursement is exclusively applied to charitable activities in furtherance of a charitable purpose of the charity, and
>
> **(iii)** the charity maintains documentation sufficient to demonstrate
>
> **(A)** the purpose for which the disbursement is made, and
>
> **(B)** that the disbursement is exclusively applied by the grantee organization to charitable activities in furtherance of a charitable purpose of the charity …
>
> To meet these accountability requirements, a charity must be able to interpret and apply key terms in the legislation, such as the following:
>
> - "ensures"
> - "exclusively applied"
> - "in furtherance of a charitable purpose of the charity"
> - "maintains documentation sufficient to demonstrate"

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 and Service offerings. Mission and Service allows stable support of critical programs of global partners. Support of Mission and Service is an essential part of maintaining United Church global mission programs.

Some congregations, in addition to supporting Mission and Service, 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 General Council Office 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 (section 5.3: 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 and the new T1441 schedule.
- 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* 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; and
- include signatures binding all organizations involved to the terms of the agreement.

Refer also to CG-004, *Using an intermediary to carry out a charity's activities within Canada.*

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 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 a 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 (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. Briefly, a congregation must first pass a motion approving the project (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?

The short answer is 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.

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.

H. In recent years, we have heard rumours of increasing scrutiny 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.

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. Any granting of this nature is to be reported annually on the T1441 form as part of the annual T3010 filing.

These changes in the regulatory environment for 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

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)?

Except in provinces where it is mandatory, religious organizations are not required to register with WSIB; it is optional in most jurisdictions. For more information, visit 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 as the core group benefits coverage would cover absence for participating employees.

F. Where can I find information on the retention and destruction of books and records?

The Charities Directorate website will have the most current schedule. Navigate to Canada.ca and search for "charities books and records."

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 done of its financial records?

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.

assessment (denominational)
Assessment by the broader church is a core operating cost of a United Church in good standing. Section G4.2.4 of *The Manual* provides that, in terms of priority of payment, the first priority is to pay staff and related costs, and the second is to pay the assessment. The assessment is a core cost to be managed. Assessment pays for the governance and shared service activities of the denomination. We are striving to live into the change in church structures in a way that is fair to all the principles of the new funding model and having a consistent approach for all. Regional Councils have the option of levying a supplemental assessment which would be harmonized with the denominational collection process

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. Not all pastoral charges are organized in the same way any more, and the equivalent committee in your pastoral charge may have a different name.

conference
A conference was an administrative grouping of presbyteries in a region until 2019, when the church re-organized from a four-council model to a three-council model. There were 13 Conferences in the United Church, representing all the regions across Canada until 2019, when 16 Regional Councils replaced conferences and presbyteries.

congregation / community of faith
A congregation is a body of people meeting for public worship in one place. There are almost 2,400 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 Regional Councils 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 and Service
Mission and 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.

presbytery
A presbytery was an administrative grouping of pastoral charges in a local area until 2019, when the church was reorganized from a four-council structure to three councils. There were 90 presbyteries in the United Church.

Regional Council
A Regional Council is an administrative grouping of communities of faith by geographic area. There are 16 Regional Councils in the United Church, representing all the regions across Canada. Each is considered an internal division of The United Church of Canada but maintains separate charitable status.

supragift
A supragift is a gift from congregations or individuals to United Church mission work outside Mission and 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.

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