

Information Sheet for  
Applicants to Community Foundation  
Regarding Charitable Status

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AGENCY RELATIONSHIPS

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As a Public Foundation, the community foundation is restricted by the Income Tax Act to make grants or distributions only “qualified donees”, which according to Canada Revenue Agency, includes registered Canadian charities. Canada Revenue Agency (CRA) requests that the relationship between the charity (Lead Partner) and the non-charitable organization (the agent) be formalized and documented before a grant can be awarded.

An organization that is not a Registered Charity wishing to apply for funding from the community foundation may consider the following:

1. Make formal application to CRA to become a registered charity, or
2. Establish a partnership or agency relationship with a Registered Charity (RC) who would act as ‘sponsor’ for the organization and the proposed project.
  - The relationship must be a formal arrangement set out in writing between the Boards of Directors of the RC and the organization (Org).
  - The terms of the agreement should include:
    - a full description of the project
    - providing the responsibility to RC for insuring the project is completed by the Org.
    - That RC has responsibility for distribution of funds to Org as work progresses
    - That RC has responsibility/accountability to the Community Foundation for the performance of the Org.
  - The relationship must be an appropriate link, not simply one of convenience.

Guidelines for a Registered Charity acting as a principal or partner are attached on Schedule 1.

An example of a contract provided by CRA is attached as Schedule 2.

For further information on becoming a Registered Charity or on establishing an agency relationship, please contact:

Charities Directorate  
Canada Revenue Agency  
1-800-267-2384

## **Obligations and Responsibilities of a Registered Charity Employing An Organization as its Agent**

### GENERAL GUIDELINES – When making application to a Community Foundation

By acting as a lead partner for a project being carried out by another organization, the Registered Charity (RC) is in effect taking on the project as part of its own operations. These arrangements can be an acceptable application of the charity's resources to its 'own' charitable activities providing:

1. The charity has obtained reasonable assurance before entering into agreements with individuals or other organizations that they are able to deliver the services required by the charity (by virtue of their reputation, expertise, years of experience, etc.);
2. All expenditures will further the RC formal purposes and constitute charitable activities that the RC carries on itself;
3. An adequate agreement is in place (CRA recommends a written agreement containing the minimum elements outlined below);
4. The RC provides periodic, specific instructions to individuals or organizations as and when appropriate;
5. The RC regularly monitors the progress of the project or program and can provide satisfactory evidence of this to CRA (see the next section on books and records) and;
6. Where appropriate, the RC makes periodic payments on the basis of this monitoring (as opposed to a single lump sum payment) and maintains the right to discontinue payments at any time if it is not satisfied.

### ADDITIONAL GUIDELINES FOR JOINT VENTURES

The following are the type of factors the CRA looks for when determining whether an RC exercises ongoing control in joint ventures:



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1. Presence of members of the RC on the governing body of the joint venture;
2. Participation in project by members of the RC;
3. Joint control by the RC over the hiring and firing of personnel involved in the joint venture;
4. Joint ownership by the RC of any assets and property involved in the project;
5. Input by the RC into the venture's initiation and follow-through, including the RC ability to direct or modify the venture and to establish deadlines or other performance benchmarks;
6. Signature of RC on loans, contracts, and other agreements arising from the venture;
7. Review and approval of the venture's budget by the RC, availability of an independent audit of the venture and the option to discontinue funding;
8. Authorship of procedures manuals, training guidelines, standards of conduct, etc., by the RC; and,
9. On-site identification of the venture as being the work, as least in part, of the RC.

#### WRITTEN AGREEMENTS

Please note: The Income Tax Act recommends that a Registered Charity enter into a written agreement with an organization acting as its agent. If a Canadian Charity operates without a written agreement in the suggested form, it will probably have serious difficulty establishing that a project is charitable and that it is carrying on its own activities. This could jeopardize the charity's registered status under the Income Tax Act.

Written agreements should typically include at least the following information:

1. Names and addresses of all parties;
2. The duration of the agreement or the deadline by which the project must be completed;
3. A description of the specific activities for which funds or other resources have been transferred, in sufficient detail to outline clearly the limits of the authority given to the recipient to act for the RC or on its behalf;
4. Provision for the written progress reports from the recipient of the RC funds or other resources, or provision for the RC's right to inspect the project on reasonably short notice, or both;
5. Provision that the RC will make payments by installment based on confirmation of reasonable progress and that the resources provided to date have been applied to the specific activities outlined in the agreement;
6. Provision for withdrawing or withholding funds or other resources at the RC's discretion;
7. Provision for maintaining adequate records at the RC's address in Canada;
8. In the case of agency agreements, provision for the RC's funds and property to be segregated from those of the agent and for the agent to keep separate books and records; and,



9. The signature of all parties, along with the date.

SCHEDULE 2

### Partnership Agreement Sample

We the partners in the “Caring for the Homeless” project agree to a shared vision, decision-making and accountability for this initiative. This project, which provides individuals and families, who are at risk of becoming homeless, with basic necessities (food, clothing & toiletries). Providing individuals/families with basic necessities reduces the incidence of having to choose between shelter and providing for basic needs.

1. Names and addresses of all parties:

Joe Smith  
Board Chair  
Urban Core Housing Project  
122 Main St.  
Leaside, ON  
Ph. 905-555-1212  
Email: [j.smith@uchp.com](mailto:j.smith@uchp.com)

Suzanne Somers Board  
Chair  
Food-R-Us  
333 King St. West Hamilton,  
ON  
Ph. 905-555-1212  
Email: [3scompany@food.com](mailto:3scompany@food.com)

Natalie Cole  
Commander-in-chief  
Salvation Army  
222 Main Street  
Hamilton, Ont.  
Ph. 905-522-2222  
Email: [cole@sallyann.com](mailto:cole@sallyann.com)

Brian Brady  
CEO Let's Get Personal  
Corp.  
1114 Maple St.  
Hamilton, ON  
Ph. 905-521-1111  
Email: [Bbrady@lgp.com](mailto:Bbrady@lgp.com)

2. Project Timelines

Project Start Date: Dec. 1, 2000

Project Completion Date: Nov. 30, 2001

OR

This agreement will be effective Dec. 1, 2000 until Nov. 30, 2001

3. Specific activities for funds to be transferred:

Clothing expenses: \$2,000  
Emergency supplies: \$5,000



Coordinator salary: \$18,000

#### 4. Responsibilities

Urban Core Housing Project will:

- Sponsor the project, acting as financial administrator
- Provide \$1,000 in funding
- Assist in hiring of co-ordinator
- Provide volunteers in program delivery

Food-R-U's will:

- Sponsor the project, acting as financial administrator
- Donate warehouse space
- Hire/supervise/co-ordinate staff person
- Ensure all reporting requirements are met
- Deliver program
- Donate boxed, canned food on a daily basis to the program

“Let’s Get Personal” Corporation will:

- Donate, transport toiletries & cleaned, used clothing to Food-R-us on a biweekly basis

Salvation Army will:

- Refer appropriate clients to the program.

#### 5. Reporting requirements

The UCHP will provide written progress reports to the CEO of the Food-R-U's Charity on progress, benchmarks reached, client information and expenditures incurred on a monthly basis. A more detailed report with evaluation outcomes will be submitted on May 1, 2001 and on Dec. 15<sup>th</sup>, 2001.

Food-R-U's has the right and opportunity to observe the program, attend the advisory committee meetings or interview any participants, if appropriate.

#### 6. Payment

Food-R-U's will disburse program funds to UCHP on the first day of each month based on the confirmation of reasonable progress of program implementation.



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7. Withdrawal of Funds

Food-R-U's may withhold or withdraw funds from UCHP if the program fails to meet minimum standards or program deliverables.

8. Record keeping

Food-R-U's must maintain separate and adequate financial records for the CRA at its Hamilton location.

**IMPORTANT NOTE:** The Income Tax Act recommends that a Registered Charity enter into a written agreement with an organization acting as its agent. If a Canadian Charity operates without a written agreement in the suggested form, it will probably have serious difficulty establishing that a project is charitable and that it is carrying on its own activities. **This could jeopardize the charity's registered status under the Income Tax Act.**