

Treasurer's Chest: Charity Revocation 2007 Statistics

A charity that fails to file the T3010B will have its registration revoked and will be liable for a \$500 penalty when it applies for re-registration. 1714 charities were revoked in the 2007/2008 fiscal year for a variety of reasons, including failure to file, voluntary revocation and revocation for cause. The following statistics, based on 2006 filing data, illustrate the challenge many registered charities have in filing timely, accurate, and complete returns.

1. Timeliness Errors

- 80% of charities filed on time. Of these:
 - 3% filed within 2 months of fiscal period end; 15% filed within 4 months of fiscal period end; and
 - 62% filed within 6 months of fiscal period end - An additional 9% filed within 10 months
- 61,466 Reminder to File Notices (TX11D) were sent 5 months after fiscal period end to 74% of charities reminding them to file; and
- 11,652 Late Filing Notices (T2051A) were sent to 14% of charities reminding them to file, if their returns were not received within 7 months of fiscal period end.

Common Errors

- 42% did not provide all director/trustee dates of birth.
- 40% did not submit the Basic Information Sheet.
- In 30%, breakdown of expenditures did not equal total expenditures before gifts to QD
- In 28% of returns, the charity indicated that 50% or more of directors were not at arm's length, or did not respond at all, yet the designation is that of a charitable organization or a public foundation.
- In 17% of returns, the postal code for a director/trustee was left blank.
- In 13%, the charity is active yet did not have expenditure entry for charitable expenditures or gifts to QD
- In 12% of returns, the charity made an expenditure entry under "salaries, wages, benefits, and honoraria" but made no entry under Section D – Compensation. .

2. Non-compliance - In the 2007/2008 fiscal year, 790 audits were conducted revealing that:

- 89% were found to have incomplete or incorrect official receipts;
- 72% had incomplete T3010s;
- 71% had insufficient books and records;
- 16% made gifts to non-qualified donees; and
- 13% carried out non-charitable activities including excessive amounts of resources being devoted to non-charitable activities (fundraising, political, or social activities).

Of the audits completed during this period, the results were as follows:

- 53% required education;
- 18.5 % resulted in compliance agreements;
- 17 % were compliant;
- 6.5% were revoked for cause; and
- 5% had other outcomes such as: voluntary revocation, annulment, pre-registration audit, or Part V tax audit.

- 3. Applications for registration** - In the 2007/2008 fiscal year, 3655 applications for registration and 606 applications for re-registration were received. In the same year, 2345 were approved, 357 were denied, and 561 were rejected as incomplete. The reasons for denial reveal some of the challenges facing applicant organizations. The most common reasons include:
- 41% lacked sufficient detail on charitable activities;
 - 9% had broad or vague objects; and
 - 8% listed non-charitable activities.

The reasons for denying registration identify new and ongoing opportunities for education and outreach activities, the goal of which is to help charities understand their requirements.