

## TAX BULLETIN

November 2006

### **CRA TO FUND EDUCATIONAL INITIATIVES UNDERTAKEN BY CHARITIES LIMITED WINDOW FOR NEW FUNDING OPENED**

On October 27, 2006, the Canada Revenue Agency (the “CRA”) announced a new round of funding under its Charities Partnership and Outreach Program (the “Charitable Funding Program”). The Charitable Funding Program will provide qualifying registered charities and certain non-profit organizations with financial support to develop innovative educational projects aimed at improving regulatory compliance in the charitable sector.

In 2007-2008, the CRA will distribute up to \$2 million to charities and other organizations that qualify for funding under the Charitable Funding Program. Funding of up to \$500,000 per qualifying project, per year (for a maximum of three years for any single project) will be made available to successful applicants. However, eligible organizations must act fast as funding applications are required to be submitted to the CRA by December 22, 2006.

### **OBJECTIVES AND FUNDING PRIORITIES OF THE CHARITABLE FUNDING PROGRAM**

The overall goal of the Charitable Funding Program is to enhance the ability of the charitable sector to comply with the provisions of the federal *Income Tax Act* (the “Tax Act”). Specifically, the primary objectives of the program are to:

- improve the ability of the charitable sector to develop and deliver sustainable compliance-based education programs;
- increase the capacity of the charitable sector to meet regulatory compliance requirements on a sustainable basis; and
- raise awareness within the charitable sector of the regulatory obligations imposed under the Tax Act.

The federal government has announced two priorities that will guide the allocation of the latest round of funding under the Charitable Funding Program (the “Funding Priorities”). Specifically, initiatives aimed at ensuring that:

- (1) foreign activities are undertaken by charities in compliance with the provisions of the Tax Act; or
- (2) fundraising, receipting and the maintenance of books and records are performed in compliance with the Tax Act

will be favoured in assessing competing applications.

### **ELIGIBLE INITIATIVES**

Projects of all different sizes, duration, and breadth will be considered by the CRA for funding. However, the CRA has indicated that preference may be given to projects that are national in scope.

The types of projects that may qualify for funding include:

- conferences, workshops, and training sessions;
- research or technical studies;
- projects aimed at the development and dissemination of information;
- web-based training and educational products;
- information services;
- “train-the-trainer” projects.

To qualify for funding, a project must be linked to at least one of the primary objectives of the Charitable Funding Program and one of the Funding Priorities articulated by the CRA.

Funding received by a qualified applicant may only be used for expenses directly related to an approved project. Examples of eligible expenses include:

- wages and employment-related cost for staff;
- fees for materials and professional services;
- project development costs;
- performance monitoring and evaluation costs;
- reporting costs;
- communication/promotion costs; and
- administrative costs of no more than 15% of the total project costs.

## **APPLICATION DETAILS**

In order to be eligible to obtain funding under the Charitable Funding Program, applicants are required to submit a specialized application for funding, along with other specified documentation. In completing an application, applicants are generally required to:

- demonstrate that the proposed project meets one or both of the Funding Priorities;
- describe the project's activities, objectives and reach;
- identify the process through which products or results will be disseminated;
- provide a detailed budget of estimated revenues and expenditures and a work plan outlining the schedule and sequence of the project's activities; and
- explain the strategy for ensuring the sustainability of the project in the post-funding period.

## **REVIEW AND APPROVAL PROCESS**

The CRA will initially conduct a screening process to determine which applications potentially qualify for funding under the Charitable Funding Program. Applications that satisfy the initial screening criteria will then be considered by an Application Review Committee, which includes representatives of the CRA and the charitable sector. All applications considered suitable for funding will then be forwarded to the CRA for approval.

## **TIMELINE AND APPLICATION DEADLINE**

The CRA will accept new funding applications through December 22, 2006. The application review and approval process is expected to last approximately four months from the close of the application period.

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*The foregoing provides only an overview. Readers are cautioned against making any decisions based on this material alone. Rather, a qualified lawyer should be consulted.*

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*For further information on the Charitable Funding Program, or for assistance in preparing an application for funding, please contact any of the following members of the Tax Group at McMillan Binch Mendelsohn LLP.*

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