



Votre référence / Your file

Notre référence / Our file

Mr. Ed Arbuckle
Treasurer
Elora Centre for the Arts
75 Melville Street, Po Box 478
Elora ON N0B 1S0

3022695

May 11, 2006

SUBJECT: NOTIFICATION OF REGISTRATION
Elora Centre for the Arts

Dear Mr. Arbuckle:

We are pleased to inform you that, based on the information supplied, and assuming that the activities will be as stated in the application, we have determined that the organization qualifies for tax-exempt status as a registered charity under paragraph 149(1)(f) of the *Income Tax Act* (the *Act*).

Reason for Registration

The Elora Centre for the Arts is registered as a charity because it advances education by providing training of individuals in the arts and by raising the aesthetic taste of the public through the exhibition / presentation of artistic works.

Caution

Regarding the artists donation of a 40% commission during the Jazz on the Grand Event, we would like to point out at this time that tax receipts may not be given to the artists. This commission is not considered a donation because it is a requirement of the contract that they sign in order to be allowed to participate in the event.

Advancement of Education in the Arts

We would point out that the advancement of education has been held to be a charitable purpose by the courts. The courts have determined that this may include instruction and training in the arts as well as raising the aesthetic taste and artistic appreciation of the public at large through the medium of public performances or exhibitions. It does not, however, include the promotion of specific artists or their work

unless such promotion is integrally bound up with or ancillary to the promotion of art as a means of advancing education. In other words, a distinction has been drawn at common law between promoting the arts in a manner designed to increase the public's knowledge, appreciation of and participation in the arts, and promoting artistic development in a manner designed to advance the commercial, professional, and/or other interests of the individuals who derive their livelihood from the practice of an art form. Charitable registration cannot be granted to an organization whose primary emphasis is the professional, personal, or commercial benefit of members of a profession or occupational category. Nor could such registration be granted to an organization which places a significant or collateral, even if not primary, emphasis on such a purpose or activity.

Registration has been granted to Elora Centre for the Arts on the understanding that the benefits conferred on the community as a whole by the organization's operations are of greater concern to Elora Centre for the Arts than the benefit intended for the artists and/or performers involved. While we are not insisting on the deletion of this clause, we would draw to your attention that should the emphasis of Elora Centre for the Arts shift in the future to a point where the benefits conferred on the artists and performers involved are not merely ancillary to the attainment of the charitable purposes of the organization, we would no longer regard it as devoting all of its resources to charitable activities.

REGISTRATION INFORMATION

- the charity's **Business Number** is **86123 1314 RR0001**;
- the charity is **registered effective October 18, 2005**;
- the charity is **designated** as a **Charitable Organization**;
- the charity's **fiscal year end** has been established as **August 31**;
- the charity will have to **file** its first **annual return** on or before **February 27, 2007**, for the fiscal period ending **August 31, 2006**.

The following paragraphs and the documents attached to this letter will further explain the operational requirements the charity must meet, its filing requirements, the issuance of receipts, etc. Please take a few minutes to look over this information, and refer to this letter for any questions relating to the charity's status.

We also encourage you to refer to our website at <http://www.cra-arc.gc.ca/charities>. This website provides access to such subjects as directorate policies, newsletters and forms and publications. This site should equip you with extensive information related to the requirements for continued registration as a charity.

General Information

Enclosed is a copy of a document entitled *Registered Charities and the Income Tax Act* which will assist you in complying with the operational and filing

requirements that must be satisfied in order to maintain the organization's registered charity status. If you have any questions or require further assistance, please do not hesitate to contact our Client Assistance Group, either by phone at (613) 954-0410 or toll-free 1-800-267-2384, or by mail to the Charities Directorate, Canada Revenue Agency, Ottawa, ON K1A 0L5. Any questions pertaining to the GST may be addressed by telephoning toll-free at 1-800-959-5525.

The Charity's Business Number

The Business Number (BN) system was implemented in April 1997. The BN consists of a nine-digit root, followed by a two-letter, four-digit account identifier. The nine-digit root is the same for each account the organization may have with Canada Revenue Agency (CRA). However, the two-letter, four-digit account identifier will be different for each account. The organization's charitable status is acknowledged by the **RR0001** - account identifier. Please note that the charity's BN should be written **in full**, including its charity account identifier, on all receipts it issues.

The Charity's Designation

We have determined that the organization is a **Charitable Organization** because it meets the requirements of that definition as set out under subsection 149.1(1) of the *Act*. This designation determines the operational requirements that the charity will have to meet under the *Act*. These requirements are described in the information document referred to above. If you think this designation does not accurately reflect the present structure, source of funding or mode of operation of your organization, please write to us within sixty days of the mailing of this letter, clearly setting out your reasons.

At a later date, if the charity undergoes any of the modifications described in the next section, it may be required to change its designation. You may also wish, for other reasons, to see the organization's designation changed. In both cases, you would have to apply for re-designation by completing form *T2095*.

Changes in the Charity's Purposes, Activities, Sources of Support or Directors

We have registered the organization based on the information provided with the application. If the organization wishes to formally change its stated purposes or objects, it should obtain our prior approval, because this may affect its status. If the organization wishes to undertake programs and activities that are materially different from those in the information already submitted to us, it should make sure that they are within the scope of the organization's stated purposes. Moreover, if the programs or activities are different from those we reviewed, they may not be charitable. As a precaution, we recommend that you check with us beforehand. If the organization actually undertakes programs that are not charitable, its registration may be revoked.

Furthermore, if the charity's sources of support, character, or method of operation were to change, you are required to advise us immediately, so that we may consider any impact this may have on its registered status. In addition, you are required to advise us if the relationships (by blood, marriage or adoption) among the directors and officials change.

These types of changes might affect the charity's designation and the operational requirements it has to meet under the *Act*.

Issuing Receipts Acknowledging Gifts to the Charity

In order for donors to benefit from the tax incentives associated with gifting to a charity, they must receive an official receipt issued by a registered charity. Official receipts are those issued by a registered charity that meet the requirements set out under Regulation 3501 of the *Income Tax Regulations*. **Official receipts can only be issued to acknowledge gifts** to the charity. A gift is defined as a voluntary transfer of property without valuable consideration. For more information on what constitutes a gift in charity law and issuing receipts, please refer to our website at www.cra-arc.gc.ca/charities or call our toll free line at 1-800-267-2384.

Books and Records

A registered charity must keep adequate books and records so that we can establish that it continues to comply with the requirements for registration as a charity. For further details please see the enclosed Information Circular No. 78-10R4 entitled "*Books and Records Retention/Destruction*" and visit our website at <http://www.cra-arc.gc.ca/tax/business/topics/ecomm/books-e.html> for information on electronic books and records.

Filing the Charity's Annual Information Return

Every registered charity must file an information return each year and it must be filed no later than six months after the end of its fiscal period. Beginning with fiscal periods ending in 2003 and after, an information return includes:

- Form T3010A, *Registered Charity Information Return*, and the *Registered Charity Basic Information Sheet*;
- The list of directors/trustee or like officials, with all the required information;
- The list of qualified donees, with all the required information (if applicable); and
- A copy of the registered charity's financial statements.

The information that must be included annually in the return may differ substantially from that available in your current books and records. Here are some items of information you will have to provide on the return:

- a breakdown of gifts including those for which **official tax receipts** were issued and those from other registered charities;

- disbursements, including amounts spent on fund-raising, administrative expenditures, political activities, and those spent specifically on charitable programs; and,
- a breakdown of remuneration to directors, executive officers, to employees engaged in charitable activities and to employees engaged in other activities.

Although the information return forms are forwarded annually to all registered charities for their use and to remind them that the return must be filed, it is the charity's responsibility to ensure that it meets its annual filing requirements, without prior notice by CRA. It is important, therefore, for the Charities Directorate to always have the current address of the charity. **Failure to file the return within the prescribed six-month period following each fiscal year end could result in the revocation of the organization's registered status** (see below).

Gifts and Dissolution or Winding-Up of the Charity

A registered charity may gift only to qualified donees described in subsection 149.1(1) of the *Act* (see appendix attached), during the life- time of the charity and upon its dissolution or winding-up.

Remuneration of Directors

Subsection 149.1(1) of the *Income Tax Act* states that no part of the income of a registered charity can be payable to, or otherwise available for the personal benefit of any of its proprietors, members, shareholders, trustees, or settlers. This means that directors of registered charities must not receive any income from the charity simply for being named as director. However, the tax legislation does permit the charity to reimburse its directors for any expenses they incur while performing their duties. As well, the charity can make reasonable payments for the time the directors devote to the charity's affairs, either when they are acting as directors or in some other capacity.

Other Possible Requirements Associated with Charitable Status

The organization is now registered for federal income tax purposes. However, depending on which part of Canada it carries on its activities, there may be provincial legislation or municipal by-laws that could govern its operations. These rules may require you to file reports or annual returns, or to apply for licenses in connection with various aspects of its activities, such as fund-raising. If you are unfamiliar with these requirements, you should contact the appropriate provincial and municipal authorities to determine the relevant requirements. Please note that if you intend to issue receipts to residents of Québec for Québec provincial income tax purposes, the charity must also be formally registered with Revenu Québec.

Charity Audits

Through ongoing audit and review programs, CRA endeavours to ensure that the requirements for continued registration are met. Further, a number of registered charities are verified by CRA each year on the basis of random sampling and a review of the annual returns filed by charities. Where the charity is not complying with the Act, its registration may be revoked.

Revocation of Charitable Status

In the event that the charity loses its charitable status, either on a voluntary basis or for cause, it would lose its tax-exempt status as well as its authority to issue official receipts for income tax purposes. Further, it would be subject to a tax equal to the value of any remaining assets not disposed of in a prescribed manner. Please refer to the section entitled *Revocation of a charity's registration* at page 13 of the document entitled *Registered Charities and the Income Tax Act*.

Because this letter could help resolve any questions about the charity's charitable status, you should keep it in your permanent records.

Yours sincerely,



Kristine Milne
Charities Officer
for Elizabeth Tromp,
Director General
Charities Directorate

Attachments
KM/sg