



Revenue
Canada Revenu
Canada

Your file Votre référence

Our file Notre référence
3002595

November 12, 1997

Dear [REDACTED]

NOTIFICATION OF REGISTRATION
Kids Can Free The Children

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").

REGISTRATION INFORMATION

- the charity's Business Number is 88657 8095 RR0001
- the charity is registered effective March 19, 1997
- the charity is designated as a charitable organization
- the charity will have to file its first annual return on or before June 30, 1998.

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.

Canada

General Information

Enclosed are copies of a document titled "Information on the Income Tax Act and Registered Charities" 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 Section, either by phone at (613) 954-0410 or toll free 1-800-267-2384, or by mail at the Charities Division, Revenue Canada, Ottawa, Ontario, 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 has been implemented as of 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 Revenue Canada. However, the two-letter, four-digit identifier will be different for each account. The organization's charitable status is acknowledged by the RR 0001 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 which the charity will have to meet under the Act, and are described in the information document referred to above. However, if you think this designation does not accurately reflect the present structure, source of funding or mode of operation of your organization, please write us within sixty days of the mailing of this letter, clearly setting out your reasons.

At a later date, if the charity undergoes some of the modifications described below, 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

The Department has 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. So 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 also to change, you would be required to advise us immediately, so that we may consider any impact this may have on its registered status. In addition, you would be 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 submit an official receipt issued by a registered charity with their income tax return. Official receipts are those issued by a registered charity that meet the requirements set out under Regulation 3501 of the *Income Tax Regulations*. Please refer to Appendix C of the enclosed document titled "Information on the Income Tax Act and Registered Charities" in this regard. Official receipts can only be issued to acknowledge gifts to the charity. Interpretation Bulletin IT 110R3 defines a gift as a voluntary transfer of property without valuable consideration. For more information on what constitutes a gift in charity law, please refer to the aforementioned Interpretation Bulletin.

Fund-raising

Many charities engage in fund-raising activities such as bingos, dinners, golf tournaments, etc. Certain payments made in the context of fund-raising activities (such as a ticket for a lottery draw, an admission fee, etc.) are not eligible for an official receipt, since the transfer of funds within the fund-raising activity does not meet the legal definition of a gift. If you are unsure whether a fund-raising activity would be acceptable for a registered charity, you should contact our Client Assistance Section at (613) 954-0410 or toll free 1-800-267-2384 for approval before undertaking it.

Filing the Charity's Annual Return

Every year each registered charity must file a "Registered Charity Information Return" (form T3010 - the "Return") and a financial statement within six months following its fiscal year end. As you have indicated that the charity's fiscal year end is December 31, its first return should be filed on or before June 30, 1998 for the fiscal period ending December

31, 1997. The information required on the Return may differ substantially from that available in your current books and records. Here are some of the 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 Return form is 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 the Department. 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. The charity would then lose its tax-exempt status as well as its authority to issue official receipts for income tax purposes, and would be subject to a tax equal to the value of any remaining assets not disposed of in a prescribed manner. Should you wish to obtain a copy of the Return, you may contact any of the Department's Tax Services offices or the Charities Division, in writing, at the Charities Division, Revenue Canada, Ottawa, Ontario, K1A 0L5 or by telephoning our toll-free line at 1-800-267-2384.

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. For further information please contact:

Ministère du Revenu du Québec
Direction générale des mandataires
Direction de l'enregistrement
3800, rue de Marly
Sainte-Foy (Québec)

G1X 4A5
Tel. (418) 659-6500

In closing, we wish to draw certain issues to your attention. The applicant has indicated that separate bank accounts exist for the two organizations "Kids Can Free the Children" and "Advocates for Free the Children". Not only must separate accounts be maintained but at no time may Kids Can Free the Children transfer funds to Advocates for Free the Children since this organization is not a qualified donee as defined in the *Income Tax Act*. In addition, we would suggest that the information provided on the web site for Kids Can Free the Children be clearly distinguishable from that of Advocates for Free the Children. We have also noted that the agency agreement sent with your letter of December 20, 1996 shows the principal as Free the Children. This should be amended to reflect the name Kids Can Free the Children as principal.

Finally, the nature of the field of work in which you are involved suggests your organization may wish to engage in some form of political activity. Political activities (i.e. activities directed at promoting or opposing changes in policy or legislation at any level of government) are not, in and of themselves, charitable. However, in recognition of the fact that many charities have legitimate reasons for pursuing some limited political activity, the *Income Tax Act* was amended in 1986 to permit registered charities to engage in limited, non-partisan political activities that advance their strictly charitable purposes and which are clearly ancillary and incidental to their charitable work. The officers of a charity intending to become involved in such activities should read the enclosed *Information Circular 87-1* which describes in detail the provisions of the *Act* in this regard.

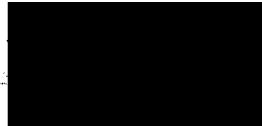
So as not to jeopardize its charitable status, if Kids Can Free the Children wishes to engage in any political activities of the nature outlined in paragraph 12 of that *Circular* (under the heading "*Political Activities Allowed within Expenditure Limits*"), it must ensure that such activities are, in fact, clearly ancillary and incidental (i.e. subordinate) to its formal charitable objects. Furthermore, any expenditures made by your organization in this regard must fall within the prescribed limitations (i.e. no more than 10%) and must be reported on Section G of your charity return.

You will note from paragraph 10 of the *Circular 87-1* (under the heading "*Partisan Politics and Other Prohibited Activities*") that a registered charity is not permitted to engage in any partisan political activity whatsoever. This means that a registered charity may not devote any of its resources, either directly or indirectly, to the support of a political party or a candidate for public office. The following are

examples of prohibited partisan political activities: financial or other contributions to political parties or candidates for public office; the purchase of tickets to fund-raisers for the benefit of political parties or candidates; the use of the charity's property or personnel for political parties or candidates; and the endorsement of a political party or candidate by the charity.

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

Yours truly,



Mrs. D. Jette

Charities Examiner
for Carl Juneau, Acting Director
Charities Division

Attachments