

Here is an excerpt from the online *Charities Handbook* by the Canadian Council of Christian Charities which is in Chapter 3 of the published version.

### **DIRECTION AND CONTROL**

Charities must be able to demonstrate appropriate direction and control over their resources. This requires adequate documentation, usually meaning a written document. CRA requires charities to make significant decisions and establish parameters on an ongoing basis. CRA will generally be satisfied charities are exercising adequate direction and control where

- there is a written agreement between the charity and the intermediary with a clear, complete, and detailed description of the activity;
- the goals, timelines, and beneficiaries are clearly defined;
- the charity establishes the budget;
- the intermediary keeps the charity's funds separate from its own and keeps separate books and records;
- the charity monitors and supervises the activity and communicates clear, complete, and detailed instructions to the intermediary on an ongoing basis; and
- the charity transfers resources periodically and gradually based on the intermediary's demonstrated performance.

### **PROVINCIAL JURISDICTION**

The governing legislation includes the *Corporations Act*, the *Charities Accounting Act*, and the *Trustees Act*. This is further complicated by the jurisprudence that has developed over centuries of common law.

The fundamental principle is that a charitable organization receives and holds all its resources in trust to advance **ITS OWN** objects. When a charity receives donations, it must have direction and control over the use of the funds. When a charity accepts funds designated for another organization, it may be difficult, and at times not impossible to demonstrate that the donation receiving charity actually had direction and control over the funds that were transferred to a completely arm's length charity.

One situation in which this can be done is where there is a clear and ongoing active relationship between the donation receiving charity and the charity to which the funds are transferred. This appears to be satisfied when the above noted criteria are met. It would also be the case where the recipient charity is the denomination or one of its ministries.