

# Memorandum of Understanding

Between:

**The World Association for Christian Communication,**

a not-for-profit corporation (438311-7) and an incorporated charitable organisation (number 83970 9524 RR0001) with its head office at 308 Main Street, Toronto ON, M4C 4X7, Canada, referred to in the Memorandum as **WACC Canada,**

And

**The World Association for Christian Communication,**

a UK Registered Charity (number 296073) and a Company registered in England and Wales (number 2082273) with its Registered Office at 16 Tavistock Crescent, London W11 1AP, United Kingdom, referred to in this Memorandum as **WACC UK.**

Whereas WACC Canada and WACC UK share a common heritage, have the same Vision (“Communication for All”), and have adopted identical Mission Statements, and

Whereas WACC UK is the sole Member of WACC Canada,

1. It is mutually agreed that the two organizations will co-operate whenever appropriate to fulfil their mission and to work towards their common Vision. The two organisations commit to sharing information and resources in relation to their mission and work.
2. It is mutually agreed that the Board of WACC UK and the Board of WACC Canada will coordinate programmes and activities carried out by both organizations in the light of the current Strategic Plan.
3. It is mutually agreed that WACC UK and WACC Canada are separately accountable for the income they receive and for the expenditure they make subject to their country’s legal and fiscal frameworks.
4. It is mutually agreed that through co-operation it is possible to bring greater benefit to those for whom they work than might be achieved by each organisation operating independently.
5. It is mutually agreed that, given commonality of purpose, it is appropriate for either organisation with the approval of its Board of Directors and subject to regulations on charitable activities in the UK and Canada respectively, through transferring resources for activities carried out the other organisation on behalf of the first.
6. It is mutually understood that any money that comes into WACC Canada becomes charitable funds in Canada and then must be either gifted to another registered charity (“qualified donee”) or used in WACC Canada’s own charitable activities. If a loan between the two organizations is envisaged, an express agreement must be drawn up that meets both UK Inland Revenue and Canada Revenue Agency requirements as well as any restrictions on the use of charitable property in either jurisdiction.
7. It is mutually understood that in general a payment by WACC UK for its charitable purposes is charitable expenditure by the charity. However, where the payment is to

an overseas body an additional condition must be met in order for the payment to be charitable expenditure for UK tax purposes. See *note 1 below*.

8. It is mutually understood that in undertaking activities outside Canada, WACC Canada is required to maintain direction and control over its resources and over any intermediary's actions as they relate the activities of WACC Canada. See *note 2 below*.

9. It is mutually understood that the WACC name, logo and tagline is the exclusive property of WACC UK; WACC Canada uses the name, logo and tagline subject to licence from WACC UK.

10. Both organisations agree to refrain from any action that may be detrimental to the other and to be proactive in promoting the Vision and Mission of WACC.

**Note 1: From HM Revenue & Customs: Guidance on non-charitable expenditure [updated 6 August 2019]**

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/annex-ii-non-charitable-expenditure>

[9.2] A charitable payment made to a body outside the UK will only be charitable expenditure for UK tax purposes by the charity provided the charity can clearly demonstrate to the Commissioners for HMRC that it has taken steps that the Commissioners consider are reasonable in the circumstances to ensure that the payment is applied for charitable purposes. If that condition isn't met, the payment is treated as non-charitable expenditure by the charity for UK tax purposes.

[9.3] Applied for charitable purposes means applied for purposes which are regarded as charitable within Section 2 of the Charities Act (England and Wales) 2006. The same definition of charitable purpose applies for all charities claiming UK tax reliefs and exemptions whether the charity is in the UK or another member state of the EU, Iceland or Norway. Payment(s) to an overseas body and payment(s) to a body outside the UK mean any monetary payment to anybody outside the UK, and include monetary payments sent outside the UK to charities, companies, agents, partners and individual persons outside the UK.

[9.4] Trustees are required to carry out appropriate research in relation to the overseas body, followed by monitoring and evaluation, and to avoid or minimise risk to the charity's finances to meet their legal duty as trustees. The charity trustees must be able to describe the steps they take, explain how those steps ensure charitable application of funds, demonstrate that those steps were reasonable and produce evidence that the steps were, in fact, taken.

It's not sufficient for the charity to simply establish that the overseas body is a charity under the domestic law of the host country. Nor is it enough to keep records of how things are spent. These are important but for overseas payments trustees must do more. The rest of this chapter deals with the situation where the charity makes a payment for which it must take steps to ensure that the payment is applied for charitable purposes.

[9.5] When considering whether the steps taken by the charity were 'reasonable in the circumstances', HMRC will have regard to:

- \* the charity's knowledge of the overseas body
- \* previous relations with the overseas body
- \* previous history of the overseas body
- \* the amounts given in both absolute and relative terms

- \* the charity's observance of its own internal financial, management and decision making procedures, and whether or not these were adequate

[9.6] When reviewing payments made to overseas bodies HMRC will generally ask the charity trustees to provide information and supporting documentation about the:

- \* person or persons to whom the payment was given
- \* specific charitable purpose for which the payment was given, the reasons, and how the decision to provide the payment was arrived at
- \* guarantees or assurances that have been obtained from the overseas body that the payment will be applied for the purpose for which it was given (such as a partnership or other written enforceable agreements), and what financial controls were in place, including sufficiently detailed financial records providing robust audit trails
- \* steps the trustees took to ensure the payment will in fact be applied for charitable purposes (such as safeguards, monitoring and oversight)
- \* follow-up action taken by the trustees to confirm that payments were applied properly

The Commissioners for HMRC must be satisfied that the steps taken by the trustees are reasonable in the circumstances. If HMRC Charities isn't provided with sufficiently detailed evidence of the steps taken it may not be able to accept the expenditure as charitable expenditure. This may give rise to a liability to tax. The steps to be taken will depend upon the nature and circumstances of the expenditure, for example, whether the recipient body may pass on the funds to a connected person who may use the funds for non-charitable purposes.

**Note 2: From the Canada Revenue Agency: Canadian registered charities carrying out activities outside Canada, Guidance, 8 July 2010.**

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidance-002-canadian-registered-charities-carrying-activities-outside-canada.html>

[7] When transferring resources to an intermediary, a charity must direct and control the use of its resources to meet the own activities test. The charity must be the body that makes decisions and sets parameters on significant issues related to the activity on an ongoing basis, such as the following:

- how the activity will be carried out
- the activity's overall goals
- the area or region where the activity is carried out
- who benefits from the activity
- what goods and services the charity's money will buy
- when the activity will begin and end

Maintaining direction and control does not mean a charity cannot accept advice from its intermediaries, or that a charity must make every decision involved in the carrying out of an activity, although it must have the ability to intervene in any decision. Typically, the types of decisions listed above would describe the overall framework of an activity.

An intermediary that carries out the work in the field is often in a better position to make day-to-day operational decisions. A charity can delegate the responsibility for such decisions to an intermediary, although this is not required under the Income Tax Act. For example, a charity might delegate the authority to make the following kinds of decisions:

- which local vendor to buy supplies from
- hiring and managing staff
- locating potential beneficiaries for an activity
- maintaining buildings owned or operated for the charity's activities

The intermediary should report back to the charity on any decisions made, so that the charity can make sure that the carrying out of the activity continues to comply with the Act. For example, an agent awarding scholarships for a charity should be able to provide a list of recipients. This will let the charity make sure the agent is not awarding scholarships only to friends and family of the agent. The charity can veto awards that are not appropriate, and so continue to meet the public benefit test.

**[7.1] How should a charity direct and control the use of its resources?**

Generally speaking, the nature and the number of measures a charity adopts to direct and control the use of its resources should correspond to the circumstances of the activity, such as:

- the amount of resources involved
- the complexity and location of the activity
- the nature of the resources being transferred
- any previous experience working with a particular intermediary
- the capacity and experience of the intermediary

The CRA recommends adopting the following types of measures to direct and control the use of a charity’s resources:

- create a written agreement, and implement its terms and provisions
- communicate a clear, complete, and detailed description of the activity to the intermediary
- monitor and supervise the activity
- provide clear, complete, and detailed instructions to the intermediary on an ongoing basis
- arrange for the intermediary to keep the charity’s funds separate from its own, and to keep separate books and records
- make periodic transfers of resources, based on demonstrated performance

A charity must record all steps taken to exercise direction and control as part of its books and records, to allow the CRA to verify that the charity’s funds have been spent on its activities.

**Approved** by the Board of Directors of WACC UK at its meeting held on xxx and signed on its behalf by the President of the Association and its General Secretary.

\_\_\_\_\_  
President

\_\_\_\_\_  
General Secretary

**Approved** by the Board of Directors of WACC Canada at its meeting held on xxx and signed on its behalf by the President of the Association and its General Secretary.

\_\_\_\_\_  
President

\_\_\_\_\_  
General Secretary