



FEDERATION OF
CALGARY COMMUNITIES

Just Do It! Financial Compliance Basics

Nov 02, 2019

You will be able to:

- Understand who is responsible for compliance
- Describe the differences between a non-profit and a charity
- Identify and describe different types of compliance
- Understand annual financial and reporting requirements
- Understand and utilize different tools to assist with compliance

What is Compliance

A **PROCESS** of making sure your organization, volunteers and employees follow the laws, rules, regulations, standards and ethical practices that apply to your context.

Responsibilit y Who needs to do it?

Board of Directors

Board of directors are legally accountable and responsible

- i. Directors are the “guiding” minds
- ii. Obligated to use authority accordingly
- iii. And “manage” the organization’s affairs

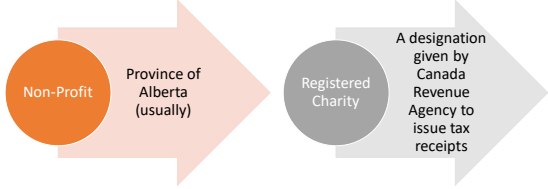
As a director, you are a fiduciary that can be legally responsible for the decisions or actions taken or not taken.



Framework

Non-profit or charity?

How is your organization registered?



How can you find out how your organization is registered?

What is Your Framework?

Topic	NPO	Registered charity
Purposes	*can operate for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except profit	*must be established and operate exclusively for charitable purposes
Registration	*does not have to go through a registration process for income tax purposes	*must apply to the CRA and be approved for registration as a charity
Charitable registration number	*is not issued a charitable registration number	*is issued a charitable registration number once approved by the CRA
Tax receipts	*cannot issue official donation receipts for income tax purposes	*can issue official donation receipts for income tax purposes
Returns	*may have to file a T2 return (if incorporated) or an information return (Form T1044) or both within six months of its fiscal period-end	*must file an annual information return (Form T3010) within six months of its fiscal period-end
Tax exempt status	*is generally exempt from paying income tax *may have to pay tax on property income or on capital gains	*is exempt from paying income tax

External Compliance

What is common to all of you....

Some of the Compliances to Understand



Service Alberta – Registrar of Corporations
Employment Standards
Human Rights
Charitable Organization Registration



GST
Income Tax
Payroll/CPP/EI
Charities Directorate



AGLC
Alberta Gaming & Liquor Commission

Gaming License
Liquor Licence
Funding Agreements



Alberta Health Services

Food Handling
Commercial Kitchens



CASL

Canadian Anti Spam Legislation CASL





Funders

Focus on Risk

Registration and Tax

Provincial Compliances

1. Society Annual Returns
2. Bylaws and Bylaw Changes

1. Society Annual Returns

What is it? – annual “registration” of your organization

What does it include:

- Society Annual Return Form (signed)
- Official List of Directors and Officers
- Financial Statements
 - Comparative Financial Statements that have been approved at an AGM

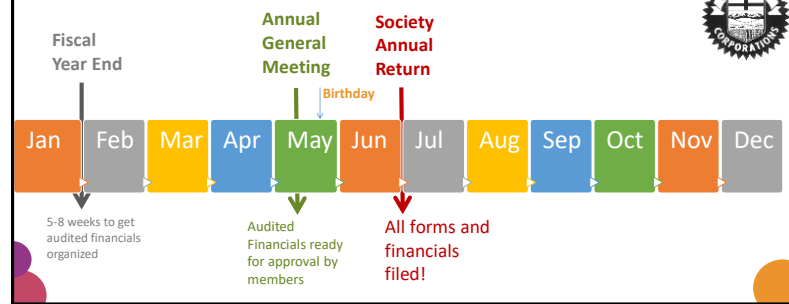
When Is it Due? –

On or before the last day of the month after your anniversary month



Timeline for Annual Return :

Incorporation Date: May 16, 1982
 Fiscal Year End Date: January 31
 Society Return Date: June 30



Timeline for Your Annual Return :

What Are Your Dates?

Incorporation Date _____
 Fiscal Year End Date _____
 Month End Your Society Return Is Due _____

Indicate the dates on the timeline below:



There is a Form for That!

The screenshot shows the 'Society Annual Return' form from the Government of Alberta. It includes fields for:

- Society Name and Corporate Access Number
- Registered Office (Street/Legal Land Description, City/Town, Province, Postal Code)
- Mailing Address (if applicable)
- Date of Incorporation
- Society Directors (Last Name, First Name, Middle Name, Appointment Date, Street/Past Office Box, City/Town, Province, Postal Code)
- Society Officers (Last Name, First Name, Middle Name, Street/Past Office Box, City/Town, Province, Postal Code, Title/Position Held, Appointment Date)

<https://www.alberta.ca/registration-forms-businesses-non-profits.aspx#toc-4>

Did You know?
 There is also a form to change your directors.



2. Bylaws and Bylaw Changes

What is it?

Bylaws are your legal documents. If you change them you must file them with Service Alberta and CRA if you are a charity.

What does it include:

A signed resolution approving the changes



When Is it Due?

Whenever you change your bylaws. They don't become official until they are filed and are returned to you "stamped".

Canada Revenue Agency Compliances



1. Taxes
2. GST
3. Payroll – EI and CPP

1. Taxes

Non-profit	Charity
T2 Six months after fiscal year end no late filing penalties	T3010 Six months of fiscal year end De-registration after 6 months
T1044 Filed with T2 (if investment income over \$10,000; or, assets exceed \$200K – once you file you always have to file) late fee \$25 per day to a maximum of \$2500	



2. GST - Simplified

- Rules are different for charities and non-profits
- GST comes in two forms:
 - Rebates
 - Collect and remit (must register)
- CRA publishes a GST handbook for Non-Profits and one for Charities



GST – Simplified Con't

Type of Organization	GST Refund	Collection and Remittance of GST
Non-profit	No GST refund unless a "public service body" (40% of total revenue is from government sources then 50% rebate)	Must register if "revenues" exceed \$50,000 and remit quarterly GST remitted is then reduced by "input tax credits" Nuances on what is taxed (i.e. program for kids under age 14 are never taxed) FINES will be levied for failure to remit on time!
Charity	50%	Must register if "revenue" exceeds \$250,000



GST – Simplified Con't

Things to consider:

- Memberships – if you add value to a membership, beyond a vote, newsletter and access to participate in programs you must charge GST, if you are registered for GST (e.g. up to 30% of membership value is acceptable but anything beyond will require GST)
- Sponsorships may be exempt from GST but it depends!:
 - being named the "sponsor" of a reception is exempt
 - receiving trade show booths at a reduced cost may **not** be exempt



Know the GST Rules – there are fines if you fail to comply!

3. Payroll

"What are the differences between hiring employees and hiring contractors?"

- Contract **OF** service (employee)
- VS
- Contract **FOR** services (contractor)



Employee or Self-employed?

INITIAL steps to help make the distinctions

- "The **level of control the payer has** over the worker's activities;
- Whether the **worker provides the tools** and equipment;
- Whether the **worker can subcontract** the work or hire assistants;
- The **degree of financial risk** the worker takes;
- ...responsibility for **investment and management**...worker holds;
- The worker's **opportunity for profit**; and
- Any other relevant factors, such as **written contracts**."



Payroll Con't

Issuing T4's

Both require them (employee – T4; contractors T-4A)

Remitting payroll (source) deductions

- You are responsible for both the employer's and employee's share
- Monthly source deductions for employees
 - CPP
 - EI
 - Income Tax



When is Payroll Remittance Due?

The Average monthly withholding amount (AMWA) decides your remitter type

- Your AMWA is the total of all the **Canada Pension Plan (CPP)**, **employment insurance (EI)**, and income tax you had to remit for the year, divided by the number of months (maximum 12) that you had to remit for.

Remitting frequency, remitting periods and remittance due dates by remitter type

Remitter type	Remitting frequency	AWMA	Remitting period	Remittance due dates
Quarterly (Example 1)	Quarterly	Less than \$25,000	January 1 to March 31 April 1 to June 30 July 1 to September 30 October 1 to December 31	April 15 July 15 October 15 January 15
Regular (Example 2)	Monthly	Less than \$1,000 and less than \$3,000	Calendar months	15th day of the next month
Threshold 1 accelerated (Example 3)	Up to twice a month	\$25,000 to \$99,999	1st to 15th of the month 16th to end of the month	25th day of same month 10th day of the next month
Threshold 2 accelerated (Example 4)	Up to four times a month	\$100,000 or more	1st to 7th of the month 8th to 14th of the month 15th to 21st of the month 22nd to the last day of the month	3rd working day after the 7th 3rd working day after the 14th 3rd working day after the 21st 3rd working day after the last day of the month

Payroll Remittance Dates - Penalties

Failure to take deductions or to remit:

- Penalty of 10% of the amount of CPP, EI and income tax you did not deduct
- Increases if you have more than one penalty in a year – 20%
- If you don't comply, you can be prosecuted – fine \$1K - \$25K or fined and imprisoned up to 12 months
- If you deduct but do not remit:
 - 3% if the amount is one to three days late;
 - 5% if it is four or five days late;
 - 7% if six or seven days late; an
 - 10% if it is more than 7 days late, or if no amount is remitted



Canada Revenue Agency – Director Liability

- If a corporation (including for-profit or non-profit) does not deduct, remit, or pay amounts held in trust for the Receiver General (CPP, EI, and income tax), the directors of the corporation at the time of the failure are jointly and severally, or solidarily, liable along with the corporation, to pay the amount due. This amount includes penalties and interest.
- However, if the directors take action to ensure the corporation makes the necessary deductions or remittances, we will not hold the directors personally responsible. For more information, see Information Circular IC89-2, Directors' Liability.



Compliance Tools

Just Do It!

Tools to Support Compliance



Record Retention

Generally:

Incorporation Documents	Signed Board Minutes	Human Resources <small>(employee and volunteers)</small>	Financial Records
<ul style="list-style-type: none"> • 2 years after closure • lifetime 	<ul style="list-style-type: none"> • 2 years after closure • lifetime 	<ul style="list-style-type: none"> • 99+ years 	<ul style="list-style-type: none"> • 7 years

Policies

- Reduces risks
- Improves efficiency
- Supports accountability and compliance

Types of Policies

- Employment vs Contractors
- Compliance Reporting
- Job Descriptions
-
-

Organization Insurance

What are the different types of insurance?

- General Liability
- Directors & Officers
- Errors and Omissions
- Equipment Breakdown
- Business Interruption
- Cyber Crime
- Other types....

General Liability Insurance (Physical Coverage)

This coverage protects your association/society for its financial responsibility under Common Law and Statutory Law for injury or death of one or more people, and for damage to property of others.

You might want to ensure that:

- All your premises are covered
- No Participants Exclusion
- All operations of your organization are covered
- All volunteers and employees are covered
- Non-Owned Automobile coverage included

Review annually your coverage!

Directors and Officers Insurance (Behavioural Coverage)

Director and Officer Insurance offers coverage for such things as:

- Employee discrimination
- Wrongful dismissal
- Breach of fiduciary duties
- Enforcement of association or governmental regulations
- Improper advice or supervision
- Mismanagement of funds
- Acts of employees and volunteers while under the direction of a director or officer

Just Do It! And Track it!

Government Compliance Checklist

Name of Organization: _____
 Fiscal Year End: _____
 Date of Incorporation: _____

CHECKLIST	When are you required to report	Date it Must be Filed	2019	2020	2021	2022	2023
LEGAL DOCUMENTS							
Articles of Association (Bylaws)	As they are updated						
Charitable Objects	If you change your activities or purposes						
Federal Tax Return (T3010 or T2/T3044)	Six months after your year end						
Corporate Annual Return (AB Gov't)	On or before the last day of the month after your anniversary of incorporation						
Notice of Change of Directors	must be filed with AGLC, Society's and CRA (if charity)						
GST Remittance	depends						
Financials	6 months after your year end						
Payroll Remittances	depends						

SUMMARY – TAKEAWAY

- Figure out which regulations, legislation and rules apply to your organization and keep records of compliance
- Ensure you keep your organization registered
- Properly file CRA/other mandatory forms
- Don't hire a "contractor" because it is easier than hiring an "employee"
- Keep accurate books and records
- Know and follow your own bylaws!



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THANK YOU!