

# Non-Profit Organizations and Compliance

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**RICHMOND/SOUTH DELTA CGA CHAPTER  
DECEMBER 6, 2008**

# Introductory remarks

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The Richmond South Delta Chapter is proud to provide unique professional development opportunities for our chapter members and students.

Many CGA's in our chapter provide their time and expertise to non-profit organizations (NPO's) in our community.

They may volunteer to serve on the board, work as an employee or consult with non-profits, with or without compensation.

The chapter board wanted to find out from experts about compliance with a variety of laws.

Today we plan to highlight resources available and discuss how we can live up to that 'higher standard of care' required of professionals who work or volunteer in the non-profit sector.

# Introduce Moderator

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Moderator, Eileen Reppenhagen, CGA, joined our chapter board in 1986. She is a past Chapter president and was awarded the JM MacBeth award for service to our CGA Chapter in 1993.

Eileen is a Certified QuickBooks ProAdvisor who writes procedure manuals and trains the trainers. She writes a monthly column for ProAdvisors and advises Intuit Canada, serving as a Member of the Voice of Advisor Council.

You may know her because of her TaxDetective website and her volunteer work with CRA to improve communication about disability tax credits, or you may have read her articles about tax in one of several national publications including The TaxLetter and Canadian MoneySaver.

Please welcome Eileen Reppenhagen.

# What are we here?

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Have you ever been asked to be the Treasurer or paid or unpaid accountant for a Non-Profit Organization?

What would you need to know about to stay out of trouble?

Tax, other laws...What are the compliance and reporting requirements?

What would the experts say? We have invited a panel of experts to answer those questions for you

Who are the experts? CRA Business Programs Section, Trust Compliance, Complex business enquiries, GST Rulings, WCB, Industry Canada, a provincial Crown Prosecutor, and several high profile CGA's who are public practitioners with many years of experience.

# What did we ask?

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We asked a variety of professionals with experience in the non-profit sector to share their knowledge with us.

We asked these each presenter to:

1. Speak to the 3 most important things we should know about compliance for NP's
2. Answer 3 questions to highlight what they really want us to know about NP's
3. Provide handouts to assist us with research about to NP's

This was a tall order. Each presenter has spent hours and some have spent days over the past few months preparing for today's presentation.

We really appreciate the time, effort and energy devoted to development of their presentations. Their handouts form the basis of a practical handbook about non-profit organizations and compliance.

# Who volunteered?

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1. CRA – Small Business Seminar Coordinator
2. CRA – Senior Trust Examination officer
3. CRA – Complex Business Enquiries
4. CRA – GST Rulings
5. WCB – Audit
6. Industry Canada – Audit
7. Janet Helm, CGA, North Delta
8. John Nagy, FCGA, Richmond
9. Attorney General's Office - Crown Prosecutor

# What did we learn?

## Two questions, many perspectives...

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What are the rules? Where can we find:

Resources

Education

Compliance

Consequences

What is a higher standard of care? What are the expectations of professionals and how do we live up to expectations of:

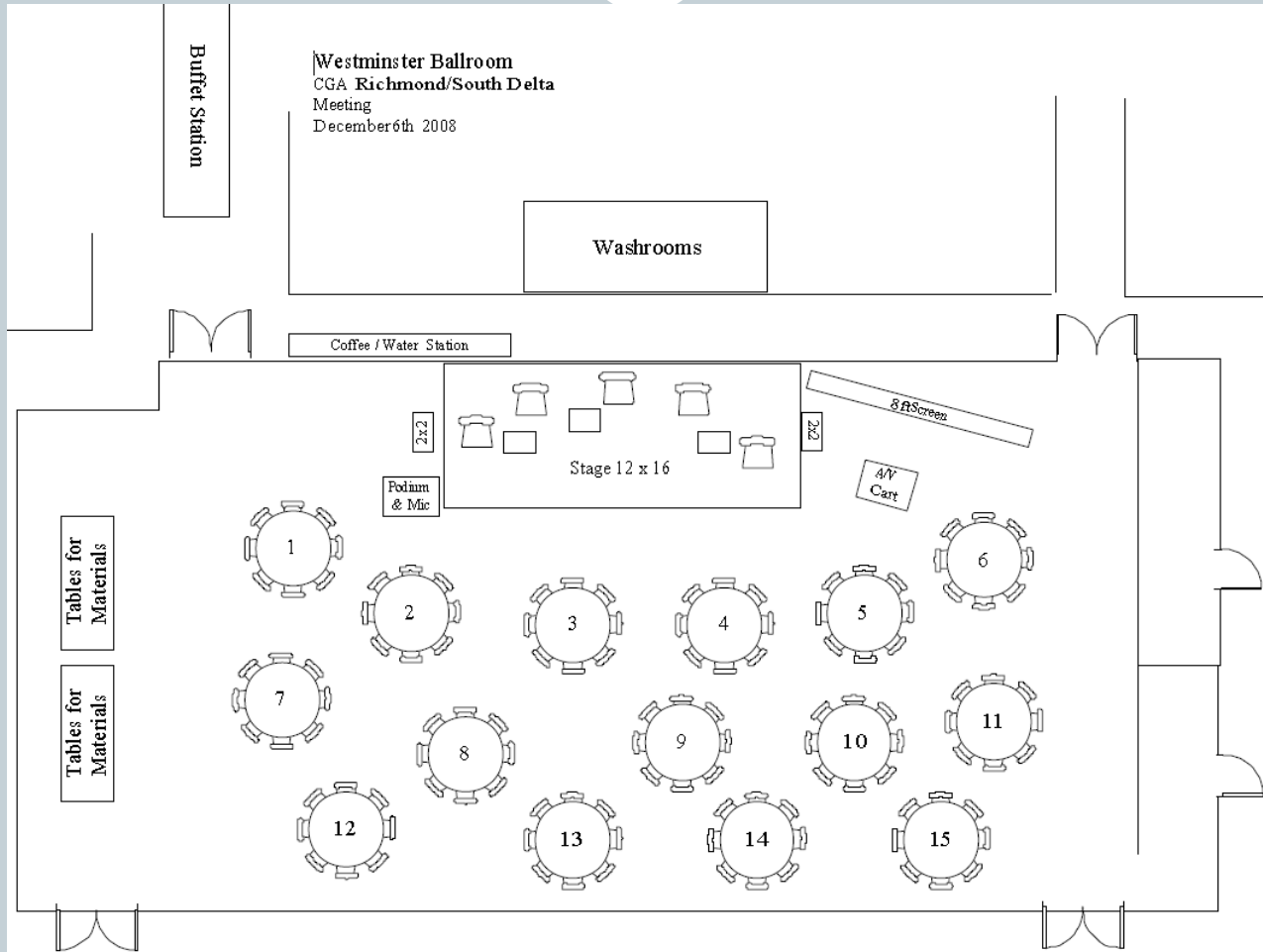
The law

Our own professional association, CGA BC

The community

# Room Layout

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# CRA - Business Enquiries

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Do you ever wonder who is on the front line when it comes to finding resources, information and education about NPO's at Canada Revenue Agency?

Fortunately, there is a team of dedicated people who handle business enquiries including enquiries about NPO's.

The team prepared for today's presentation. They provided guides, forms, flyers, mini CD's, and a tax tip.

Our speaker is from the Business Enquiries Department of CRA and is the Small Business Seminar Coordinator.

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# Key Points

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- When determining status as employee or self-employed
  - [RC4110 Employee or Self-Employed?](#)
  - apply tests impartially
  - or utilize [CPT1](#) to [request a ruling](#)
- [Not differentiating is expensive](#)
- [CRA is a resource!](#)
  - [Free Events and Seminars](#)
  - Mini CD's including description of activities that may be completed electronically with CRA, including
    - ✦ Filing T4 Slips electronically *even if not* registered for My Business Account
    - ✦ Or [after registration](#) for [My Business Account](#) including:
      - Filing T4 Slips
      - Viewing to ensure payments received
      - Viewing returns filed and assessed for payroll account
  - Note: CRA wants to promote sustainable development, save trees and benefit employers by faster service, therefore T4 Slips may be filed both outside and within My Business Account

# Questions

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1. If an NPO wants to pay someone to do work but the NPO is NOT sure if the person is Self Employed or is an Employee, then how should the NPO proceed?
  - Set the person up on payroll, remitting all deductions and employer's share on time, then obtain a ruling and if not employee, request refund
2. What are some common errors made on RC 59 Business Consent Forms submitted to CRA?
  - Who is being authorized (individual, firm, specific individual in a firm)
  - Part 3 - Level of authorization
  - Part 5 – Ensure Person Authorized IN CRA's records signs. See Tax Tip "Change in Directors for a Corporation".
3. What are some common errors made on an RC 1 Application for a Business Number?
  - SIN missing.
  - Business Activity should be fully and plainly described.
  - Box A5 not properly filled in.
  - Box B2 (Worldwide Sales include sales outside of Canada).
  - Box C2 (f) always fill it in - Telereply if too early.

# CRA-Senior Trust Examination Officer

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Why would a Non-Profit Organization need to know about a Trust Examination? How an examination is different from an audit?

The Senior Trust Examination officer of the Trust Exam/Employer Compliance Unit has worked in Trust Exam for approximately 10 years as a Trust Examiner, Employer Compliance Auditor and Senior Examiner.

This person trains new examiners, reviews files, completes complex exams and answers technical queries from the Examiners and Team Leaders.

In addition, they act as liaison for the Worksafe BC initiative and liaison with the Trust Exam/Employer Compliance audit area and works with the Team Leader and Senior Examiner doing presentations to the Audit units and Collections areas about their functions

# Key Points

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- NPO's receive same treatment as business by CRA
- Live/Die by Km Logbook
  - [Employee claims](#)
  - [Self-employed claims](#)
  - [Employer benefits and allowances](#)
  - [IT63 Benefits including standby charge...](#)
  - Budget 2008 Reducing Tax Compliance Burden/Simplifying Compliance with the Motor Vehicle Tax Provisions
    - ✦ [Consultations in 2008 / to be revised in 2009](#)
- Get [CPP/EI ruling](#) for employee/self-employed determination
- Make sure you know about [taxable benefits](#)
  - [Taxable Benefits Guide T4130](#)

# Questions

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1. What do auditors wish that accountants could understand about the process?
  1. That the examiners/auditors are just doing their jobs
  2. We are not picking on individuals or companies
2. How can accountants involved with not for profits stay out of trouble?
  1. By making sure that they follow the guidelines for payroll
  2. Get rulings for Employee/Employer and Self-Employed relationships
  3. Make sure the taxable benefits are calculated properly
3. When you are reviewing an NPO, what is the one thing that you look for and consistently find when auditing them that they should have known?
  1. The most common mistake is not calculating the CPP/EI and tax on taxable benefits.
  2. The other common mistake is treating the individual as a subcontractor.

# Complex Business Enquiries

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Is tax reporting for NPO's necessary?

The rules for NPO's and charities differ from the 'normal' reporting rules.

The representative from Complex Business Enquiries will enlighten us on reporting requirements for NPO's.

# Key Points

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1. You can get into trouble if you have the wrong purpose
2. Profit is not necessarily disqualifying
3. Surplus may not disqualify

## [CRA page about Non-Profit organizations](#)

1. [T4117](#) Income Tax Guide to NPO Information Return
2. [T1044](#) NPO Information Return
3. [IT496](#) NPO's



# Questions

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1. Can a non-profit (other than a athletic association) issue Charitable receipts?
  1. No
  
2. Can a organization earn a profit and still qualify as a NPO?
  1. Yes, sometimes
  
3. Can a organization have a dual purpose of making a profit and non-profit and still qualify as a NPO?
  1. No

# GST Rulings

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Is GST for NPO's and charities somewhat confusing?  
The rules for NPO's and charities differ from the  
'normal' GST rules.

Your Handouts include a one sheet about GST with:

Telephone numbers for GST Rulings

How to contact GST Rulings for a written ruling  
and a list of publications about non-profit  
organizations

A GST Rulings Officer will enlighten us on how GST  
applies to NPO's and charities.

# Key Points

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- Call us GST Tech Enquiries 1-800-959-8287
- Check website for
  - [Business information](#)
  - [What's New](#)
  - [Technical information](#)
  - [GST / HST Related Forms and Publications](#)

# Questions

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1. Are strata fees taxable?
  1. That depends on whether the tenant is a residential or a commercial tenant – if commercial yes, it's taxable
2. What about reimbursement of items that are normally exempt like insurance and property taxes?
  1. Same, yes if commercial tenant
3. In calculating a charities small supplier threshold you mentioned one of the components was gross revenue of \$250,000. How do you calculate a charity's gross revenue?
  1. [See GST523-1 Non-profit organizations – Government Funding](#)

# WCB Senior Audit Manager

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Who doesn't feel a bit befuddled by WorkSafeBC with all their forms, classifications and rating systems? We've found an expert to help us get a clear picture of how WCB applies to NPO's.

In your handouts you will find:

One sheet and a brochure

A Senior Audit Manager at WorkSafeBC for the past three years, formerly a WorkSafeBC Assessment Officer (aka a field auditor) for 12 years with over 2,500 audits on all kinds of organizations and industries including NPO's will share some of his extensive knowledge of WorkSafeBC assessment and compliance with us today.

# Assessment's Top Issues for CGA Practitioners

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- WorkSafeBC registration requirements / info sharing with CRA
- Coverage under the Act AP1-1-2 to AP1-1-7
- Classification of employers AP1-37-1 to AP1-37-3
- Proration of administrative payroll AP1-38-3(f)
- Definition of assessable payroll AP1-38-2 and AP1-38-3
- How corporate reorganizations impact WorkSafeBC premiums
  - AP1-42-1 to AP1-42-3
- Practitioners photocopying remittance forms and payroll reports
- Accountants do not use enough self-serve options for online payroll reporting and payments
- WorkSafeBC not considered in tax planning activities
  - Impact of income splitting on wage loss benefits
- Increase awareness of ways to reduce rates and lower premiums
  - Certificates of recognition (partners program), return to work programs and safety programs

# Key Points

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1. Status is most important to determine registration eligibility and who is responsible for payment of premiums – i.e. Worker Vs. Independent Firm.
2. Admin Proration for Multi Class firms ([see handout](#))
3. Classification is based on Industrial Undertaking
4. Visit Website: [www.worksafebc.com](http://www.worksafebc.com)
5. Publication for Online Services – Registration, Fast File & Pay, Client Payroll Reporting & Clearance Alert.

# Questions

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- 1. How do you determine eligibility for a firm to register with WSBC; and what is the effective date of registration if previously overlooked?**
  - **Answer: Depends on a firm's status and whether they are an independent firm/employer, a labour contractor or a worker? {Refer Assessment Policy AP1-1-2 to 1-1-7}. If a firm has failed to register with WSBC, their registration can be back-dated up to 3 years.**
- 2. How is an NPO classified?**
  - **Answer: Same as all other firms based on their industrial undertaking and business activities. Classifications are not determined solely on a risk or occupational basis.**
- 3. If a NFP has multiple classifications, how is management/administration payroll prorated?**
  - **Answer: The pro-ration is based on "net assessable direct payroll"; or on occasion based on formal costing records. {Refer Assessment Policy AP1-38-3(f)}.**



# Industry Canada Examiner

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Why would Industry Canada would be concerned with NPO's? We know they regulate trademarks and copyright, but NPO's?

The handout for this presentation is a the one sheet from Industry Canada describes the IC website and a sample of Form 3 Annual Summary.

Industry Canada includes Consumer Policy, Measurement Canada, the Canadian Intellectual Property Office and the Competition Bureau.

Our presenter is an Examiner with Corporations Canada, reviewing applications for business and NPO corporations, and spends time on Client-Partner Relations.

# Key Points

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- [www.ic.gc.ca](http://www.ic.gc.ca) has information about all kinds of aspects of business including trademark, patent, copyright and NPO's
  - [Business Resources](#)
  - [Subscriptions for Newsletters and Email updates](#)
- File Form 3 annually for federal NPO
- Don't forget to sign up for Canadian Company Capabilities to [add your name](#) to the searchable database of over 60,000 Canadian businesses
- Have fun what ever you do!

# Questions

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1. What legislation is Corporations Canada mandated to oversee?
  - [See Regulations and Standards](#)
2. What are the filing requirements when applying for "Letters Patent" to form a [Federal Not-for-Profit Corporation](#) under the Canada Corporations Act- Part II?
  - [Letters Patent](#)
3. What are the basic maintenance requirements for CCA-II corporations in terms of what they have to file with Corporations Canada?
  - [Form 3](#)
4. What else should we be aware of?
  - New Federal Not for Profit Act was introduced on December 3, 2008. [See Diane Ablonczy's announcement](#)

# Janet Helm

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NPO's have boards, management, employees and members. Turnover of any or all requires constant change management.

When a CGA in public practice says they have an NPO client, or they are the controller of an NPO, do we understand the challenges they face?

Beyond the financial reporting, what role to CGA's play in the continuity of care of an NPO?

Janet Helm is a CGA in public practice. She's also an Associate Member of the Certified Fraud Examiners and co-owner of a Detective Agency, Shadow Investigations Ltd.

# Key Points

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- The website [www.carters.ca](http://www.carters.ca) has some excellent information for Charities and Non-Profit Organizations.
- Canadian Council of Christian Charities.  
[www.cccc.org](http://www.cccc.org)
  - [Web Member Online \\$30](#) – online access to Charities Handbook and free recorded webinars

# Questions

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1. What would you recommend to treasurers or CGA directors serving on the board of small NPO organizations?
  1. E&O insurance
  2. Due Diligence
2. What resources have you found most useful for charities and NPO's?
  1. [www.carters.ca](http://www.carters.ca)
  2. [www.cccc.org](http://www.cccc.org)
3. Is there an upside to serving on the board of a small NPO or charity?

# John Nagy

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In Richmond/South Delta there are many strata corporations. John Nagy, FCGA, shareholder, Reid Hurst Nagy Inc. assists with financial reporting for more than 250 Strata Corporations throughout the province. The firm also provides audit and accounting services to more than 15 Strata Property Management companies.

John is highly regarded in the financial industry and has served as President of CGA BC and Chair of CGA Canada. He has also served on the CGA Canada Professional Affairs, National Professional Standards, Public Practice and Education Committees. He is currently the Chair of CGA Canada's International Qualifications Assessment Panel and is a member of the Canadian Accounting Standards Oversight Council.

John also serves on the Accounting Policy Advisory Committee of BC.. He is there to advise the Treasury Board as to the application and implementation of generally accepted accounting principles for government reporting.

We asked John...What are the 3 most important things you should know as the treasurer of your board of your strata corporation. Please help me welcome John Nagy.

# Key Points

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1. Know the provisions of the Strata Property Act, Specifically the financial sections and the parts about Contingency Reserve funds.
2. Good internal controls are critical, even if an outside PM is used.
3. Every building has a Crazy Person, so make sure everything is in writing and make good notes of conversations.



# Useful Links

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- Strata Property Act
  - [http://www.qp.gov.bc.ca/statreg/stat/S/98043\\_01.htm](http://www.qp.gov.bc.ca/statreg/stat/S/98043_01.htm)
- Strata Property Regulations
  - [http://www.qp.gov.bc.ca/statreg/reg/s/strataproperty/43\\_2000.htm#section1.1](http://www.qp.gov.bc.ca/statreg/reg/s/strataproperty/43_2000.htm#section1.1)
- Financial Institutions Commission SPA information
  - [http://www.fic.gov.bc.ca/responsibilities/strataowners/instruction\\_guides.htm](http://www.fic.gov.bc.ca/responsibilities/strataowners/instruction_guides.htm)
- Real Estate Council of BC <http://www.recbc.ca/>
- Condominium Home Owners Association <http://www.choa.bc.ca/>
- Reid Hurst Nagy Inc. <http://www.rhncga.com>

# Questions

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1. What can council do to protect itself?
  1. See key points
2. I don't need a bunch of separate bank accounts do I?
  1. Yes, if you want to ensure that you don't end up utilizing the wrong funds
3. We have a professional Property Manager and they have an audit every year. Why should we pay for an independent audit?
  1. That audit isn't auditing the books of the Strata, it's auditing the trust funds held by the property manager

# Crown Prosecutor

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Our next presenter is a Crown Prosecutor with the Attorney General of British Columbia, Criminal Justice Branch (a.k.a. CJB).

Crown Counsel, Commercial Crime Unit works for the Ministry of the Attorney General, British Columbia in Criminal Justice Branch, Criminal Appeals and Special Prosecutions. Part of the CJB's Commercial Crime Unit, which is a large team of trial prosecutors dedicated to prosecuting fraudsters all over British Columbia.

Crown Prosecutors travel around the province conducting criminal trials against alleged fraudsters, as well as, sentence hearings against those convicted of fraud and related offences.

The variety of Criminal Fraud prosecutions include those involving criminal fraud perpetrated by upon Non-Profit Organizations. Recently in 2007 successfully prosecuted a bookkeeper who defrauded the Abbotsford Legion.

The embezzlement had devastating consequences to the Legion, the bookkeeper/fraudster, and the Accountant. Story about the CGA who got caught in the cross fire between the Legion and the bookkeeper.

# Key Points

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- Civil counsel suggests that it is important to distinguish between the parties providing the explanation to the accountant.
- The Accountant should ask, is the explanation coming from the business owner/client or the employee of the business/client?
- Royal Canadian Legion Branch No. 15 / Burkitt [2005 BCSC 1752](#)
- Jo Coffey [2007 BCPC 151](#)

# Questions

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1. Can you become a party to the offense? What about civil liability?
  1. Yes to both, even if you are following our CGA BC regulations, that does not exempt you.
2. Why is it important to take and keep notes?
  1. Memorializes because it may take years before action commences
3. What should you do if the books are a mess?
  1. Report to the right people
  2. Make a police report