

A green rectangular road sign with rounded corners and a white border, tilted slightly upwards to the right. It contains the text "ROAD TO" in white, bold, sans-serif capital letters. The sign is flanked by two grey, curved lines that suggest a road branching or leading to the sign.

# Accountability

## Self-Diagnostics Pack

## Disclaimer

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# Introduction

The purpose of this pack is to assist small and mid-size registered charities to assess where they are with their accountability practices and to plan how they will go about learning and establishing practices to ensure accountability. This can also be used by non-profit organizations since most of the questions are applicable to them, too.

There are three parts to this pack to be completed in sequence:

- Part One – Self-Assessment
- Part Two – Information and Resources
- Part Three – Action Plan

## Suggested Use

This pack is designed to be used by the board of directors and the Executive Director/CEO or senior staff.

- **Part One – Self-Assessment** is best completed by each director and the Executive Director independently. Once completed, they should compare and discuss their answers to arrive at a shared agreement and understanding of where the organization is.
- **Part Two – Information and Resources** is about learning and is best completed as a group. This will increase the organization's collective knowledge.
- **Part Three – Action Plan** is a group activity. It is the step to move the organization forward. In developing the action plan, assign responsibilities and include an implementation schedule. Once the draft plan is developed with a review schedule, discuss it with all staff members. Incorporate the feedback from staff to finalize the action plan.

## Additional copies

This pack is available for download at [www.charitycentral.ca/docs/selfdiag-en.pdf](http://www.charitycentral.ca/docs/selfdiag-en.pdf)

# Part One

## Self-Assessment

By answering these questions, you can clarify whether your organization's accountability practices are on the right track and where you need to focus some attention. Celebrate your "yes" answers and use "no", "I don't know" and "Sort of" answers to point you toward areas where you need further work.

You may think of questions while answering this self-assessment questionnaire. Many of these questions are answered in Part Two. To get the maximum advantage of using this pack, you should not be referring to Part Two while answering Part One.



- If your organization is a registered charity with the CRA (Canada Revenue Agency), answer all the questions. If your organization is not a registered charity, skip the questions under the CRA Registered Charities section.
- "Organization" refers to your board, board members, and staff members, depending on your circumstances.

### Purposes, Objects, and Activities

		Yes	No	I don't know	Sort of
1.	Does your board have an annual review of the purposes (often called objects) set out in your organization's constitutional documents (letters patent, articles of incorporation, trust deed) to determine if your current programming or activities further them?				
2.	Does your organization have a current strategic plan?				
3.	Does your organization have a process to assess or evaluate your activities and/or programs?				
4.	Does your board consult with public stakeholders about your programs and services in order to gather their input?				
<b>CRA-Registered Charities</b>					
5.	a. Does your organization engage in political activities?				
	b. If yes, are you complying with the Canada Revenue Agency (CRA) requirements on political activities?				

## Governance

		Yes	No	I don't know	Sort of
6.	Are most of your board members at arm's-length from each other? <i>Note: Individuals at arm's-length are not related by blood relationship, marriage, common-law partnership, adoption or close business or corporate ties.</i>				
7.	Are your board members at arm's-length from senior management employees?				
8.	Does your organization have a conflict of interest policy that relates to the board?				
9.	a. Has your board adopted a governance model?				
	b. If yes, is this governance model stated and described to new board members, staff, and key stakeholders?				
	c. If yes to 9a, does the board regularly review the adopted governance model for effectiveness and best practices?				
10.	Has a description of the roles and responsibilities of your board been given to each board member?				
11.	Is there a clearly defined line of authority between your board and the executive staff?				
12.	Are your bylaws and compliance with the bylaws reviewed periodically?				
13.	Do you have written policies?				

## Finances

14.	Does your board develop or approve the annual budget based on assumptions for the next year's activities before the beginning of your fiscal year?				
15.	Does your organization have financial policies, practices, and controls in place to avoid irregularities?				
16.	a. Does your board have a process for determining and reviewing executive compensation for reasonableness, that is, fair market value?				
	b. Has this process been reflected in board minutes?				
17.	Does your organization have a policy to ensure only reimbursement of reasonable and necessary expenses for board members (for example, travel and meals)?				

		Yes	No	I don't know	Sort of
<b>CRA-Registered Charities</b>					
18.	Has your organization established procedures to follow the CRA's reporting requirements (T3010) in tracking revenues and expenses for different activities?				
19.	Does your board or executive director ensure that the fundraising revenues-to-expenses ratio is consistent with the CRA's suggested ratios?				
20.	Is your board familiar with your organization's T3010, the annual return submitted by registered charities to the CRA?				
21.	Is your board in a position to speak to the accuracy of the information on the T3010?				

## Compliance to Legal Requirements

22.	a. Does your organization have a list of the provincial legal requirements of a non-profit or registered charity?				
	b. If yes, is there an established procedure to comply with the requirements?				
23.	Does your organization follow the privacy laws as they relate to the sharing of personal information?				

### CRA-Registered Charities

24.	a. Does your organization have a list of what needs to be done to maintain your registered charity status with the CRA?				
	b. If yes, is there an established procedure to comply with the requirements?				

## Fundraising

25.	Has your organization established procedures to follow provincial requirements for fundraising?				
26.	Do your fundraising materials accurately describe your programs and activities?				
27.	Does your organization report to the donors how their donations are spent?				
28.	Are donors' wishes for privacy respected?				
29.	Is there a way for donors to opt out of mailing lists and other promotional tools?				
30.	Is the financial information relating to fundraising available to the public?				

### CRA-Registered Charities

31.	Is your board familiar with the CRA's Fundraising Guidance (CPS-028)?				
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## Transparency

		Yes	No	I don't know	Sort of
32.	Does your organization have a code of ethical conduct?				
33.	Does your organization have policies and procedures to handle complaints?				
34.	Does your organization share information with the public about your board members and key staff?				
35.	Does your organization share information with the public about its mission, purpose, programs and/or services, and their impact?				
36.	Does your organization share information with the public about its audit and finances?				

If you answered “**yes**” to all the questions, **congratulations!!** You are likely a model of an accountable and transparent organization. You are fulfilling the externally imposed requirements and have self-imposed accountability practices (good practices).

If you are a **registered charity** and you answered “**yes**” to questions 1, 2, 3, 6, 12, 14, 17 to 26, 28 and 31, you are on your way to being an accountable charity with the tools to fulfill the externally imposed requirements. You still need to continue work on the good practices that will further develop your organization and enhance your accountability practices.

If you are a **non-profit organization** without registered charity status under the *Income Tax Act* and you answered “**yes**” to questions 1, 2, 3, 6, 12, 14, 17, 22, 23, 25, 26, and 28, you are on your way to being an accountable organization with the tools to fulfill the externally imposed requirements. You still need to continue work on the good practices that will further develop your organization and enhance your accountability practices.



Proceed to Part Two for more information.



# Part Two

## Information and Resources

For use with Part One – Self-Assessment



There are two ways to use Part Two. You can go to the questions that you answered “no” to in Part One to learn more or you can read through all the questions.

### Purposes, Objects, and Activities

1. Does your board have an annual review of the purposes (often called objects) set out in your organization’s constitutional documents (letters patent, articles of incorporation, trust deed) to determine if your current programming or activities further them?

The legal purposes of an entity determine its mandate and the scope of what it should be doing. It is important that your board review these purposes to ensure that they align with the group’s operations.

Your purposes guide your organization. When changes occur, the board has a responsibility to (1) report to the members and (2) fulfill legal requirements.

Generally speaking, you need authority from members to change your purposes (exact requirements will vary depending on the legal form of the group). For corporations, you have to have a motion passed, typically by a supermajority, in order to make this kind of change. Your organization’s governing documents, such as your bylaws, may specify the process to follow.

The laws under which your group is constituted will determine if there are further considerations, such as filing requirements, that need to be satisfied to implement the change. For example, if your organization was incorporated as a society in Alberta, you have to file a change with Service Alberta Registries.

Your ongoing programs and services are established to achieve your purposes. As you continue to provide them, you may see other needs of your clients. In the spirit of helping, you may offer the much-needed services. To stay focused, however, you need to review and assess whether the “new” program or service will further your purposes. A regular review will keep the board informed of new activities and the needs of the people served.



Review your purposes and activities as part of your annual review. Put this into your administrative calendar. If your board does not have a yearly administrative calendar, now is the time to set one up.

Go to [www.charitycentral.ca/docs/admincal-en.pdf](http://www.charitycentral.ca/docs/admincal-en.pdf) for a sample administrative calendar.

### CRA-Registered Charities

- Changes in charitable purposes have to be approved by the Canada Revenue Agency (CRA). If you are considering changing from what was originally submitted, you have to discuss this with the CRA to make sure that the new purpose is still charitable. Depending on the extent of the change, you may need to send in a written request for their approval.
- If your programming activities have changed, you should also contact the CRA.



When considering a change in your purpose, check the model objects on the CRA website to see if any of them fit your new purpose. See model objects at [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/menu-eng.html)

## 2. Does your organization have a current strategic plan?

A strategic plan is developed through a planning process of validating an organization’s purpose, defining its strategy or direction, and making decisions on allocation of resources to pursue this strategy.

It addresses three key questions: “What do we do?” “For whom do we do it?” “How do we excel?” It is very important to involve the right people in the strategic planning process as described in the “Ten Keys” listed below under “More information”.

One of the business analysis techniques commonly used in strategic planning is the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. Using this analysis helps the organization determine where it is at and where it wants to go, taking into consideration the outside environment.

A strategic plan usually has these elements:

- Mission, vision, values statements
- Goals and strategies based on situational analysis such as SWOT
- Plan of action for each strategy
- Monitoring and evaluation plan

A strategic plan is generally developed for three to five years. Since the environment will likely change during this time period, it is necessary to plan how to monitor and update the plan.

If you do not have an up-to-date strategic plan, now is the time to start developing one. You may need to get the organization ready to plan.



Do not wait until you have a “perfect” strategic planning process to get started. Check out the sources listed in “More information” below and decide how to answer the three key questions and who should be involved. You are then ready to go.



- “Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders” at [www.uwex.edu/aspi/toolbox/documents/Strategic%20Planning%20Steps.pdf](http://www.uwex.edu/aspi/toolbox/documents/Strategic%20Planning%20Steps.pdf)
- “Strategic Planning Checklist for Boards of Not-for-Profit Organizations” at [www.culture.alberta.ca/bdp/bulletins/StrategicPlanning-print\\_09.pdf](http://www.culture.alberta.ca/bdp/bulletins/StrategicPlanning-print_09.pdf)

### 3. Does your organization have a process to assess or evaluate your activities and/or programs?

In addition to ensuring that your programs and activities continue to further your charitable object or purposes, do you know if your organization’s programs and activities are making a difference in the lives of the people you served or in the community? To be effective and relevant, you will need to have a process of evaluating your activities in terms of their outcomes, not just how many people participated, but examining whether there were benefits or changes for participants during or after being involved in a program. This kind of evaluation is commonly referred to as outcome-based evaluation. One common outcome measurement tool is the logic model or logical framework analysis as used by international development organizations.

Outcome-based evaluation is both an accountability tool and a planning tool. As an accountability tool, it tells the funders and other stakeholders how they are contributing to the public good provided by your organization. As a planning tool, it provides you with information about the effectiveness of your program or the problems that need to be addressed or improved.



- Logic Model – [www.reddi.gov.on.ca/pdf/1477219\\_project\\_logic\\_model.pdf](http://www.reddi.gov.on.ca/pdf/1477219_project_logic_model.pdf)
- Outcome-based evaluation  
[www.managementhelp.org/evaluatn/outcomes.htm#anchor153409](http://www.managementhelp.org/evaluatn/outcomes.htm#anchor153409)

#### 4. Does your board consult with public stakeholders about your programs and services in order to gather their input?

The process of gathering input from stakeholders about your programs and services serves many purposes:

- strengthening the existing relationship with the stakeholders already involved
- attracting new stakeholders
- finding out if your programs and services are still relevant to those you serve
- generating new ideas

*Note: Stakeholders could include inactive members. Talking to them may increase their participation.*



Consulting with stakeholders can range from informal conversations between board members and people they meet to a paid survey of the general public.

#### CRA-Registered Charities

##### 5. If your organization engages in political activities, are you complying with the Canada Revenue Agency (CRA) requirements?

Registered charities are not allowed to engage in partisan political activities and must restrict the amount of resources they devote to non-partisan political activities. The CRA guidance on this topic describes what qualifies as non-partisan political activity and how limits on the amount of resources spent on non-partisan political activities are applied. A registered charity cannot spend more than 10 per cent of its total resources in a given year on allowed political activities. The amount of expenditures has to be reported on line 5030 of the T3010 ([www.cra-arc.gc.ca/E/pbg/tf/t3010-1/t3010-1-10e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t3010-1/t3010-1-10e.pdf)).

If you need a review of the requirements for political activities or if you are not sure if you are complying with the CRA requirements, go to [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html). See also [www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/ctvts/thr-eng.html#pol](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/ctvts/thr-eng.html#pol)

### 6. Are most of your board members at arm's-length from each other?

Generally, individuals at arm's-length are not connected by blood relationship, marriage, common-law partnership, adoption, or close business or corporate ties.

The laws under which you are constituted generally do not state the maximum number allowed for board members **not** at arm's length from one another. But the law is always concerned about self-dealings or conflict of interest. Even when non-arm's-length relationships are not significant enough to trigger regulatory provisions, board members should always be mindful of their obligations to take decisions that are in the best interests of the charity and to avoid self-dealing. Overdependence on board members that are not at arm's-length may increase the risk that decisions are taken not based solely on the merit of a matter.

#### CRA-Registered Charities

For a charity to be registered with the CRA and be designated as a charitable organization, it has to have more than 50 per cent of its directors, trustees, officers at arm's-length from each other.

Registered charities where more than 50 per cent of board members are not operating at arm's-length are designated private foundations and subject to stricter regulation than other types of charities. This includes special rules limiting corporate holdings of the foundation and those who control it. Other restrictions apply where a charity has dealings with another charity that is controlled by it or those leading the first charity.

As well, board members of charities should be aware that corporate ties can include affiliations (paid or unpaid) with other charities or non-profit organizations in addition to connections with for-profit entities. Such relationships usually do not give rise to the pecuniary (financial) conflicts of interest often seen in the commercial world, but may still improperly influence decisions. While the position of the second organization ought not to be considered in the deliberations, it sometimes is.



Figure out a way to balance the composition of your board to avoid the risk of self-dealing or conflict of interest. If family members are all strong contenders for involvement on your board, stagger their participation on the board and in the meantime involve them in committees and other roles. Seek out independent directors.



More information can be found by exploring the CRA T4063 ([www.cra-arc.gc.ca/E/pub/tg/t4063/t4063-e.html](http://www.cra-arc.gc.ca/E/pub/tg/t4063/t4063-e.html)).

## 7. Are your board members at arm's-length from senior management employees?

This is another important issue. Where individuals with different roles within the charity – for example, a board member and a staff member are not at arm's-length from each other, there is potential for self-dealing or conflict of interest. It is best to avoid having board members who are not at arm's-length from senior managers. If a board member has ties to a senior employee, clarify when that board member should abstain from decisions affecting the employee in question.



Be sure that all board members are aware of any relationships between board members and employees or other dealings not at arm's-length between individuals with different roles within the charity.

## 8. Does your organization have a conflict of interest policy that relates to the board?

A conflict of interest policy identifies (1) what is considered conflict of interest and (2) the process to handle it, should it occur.



Be as explicit as possible in developing your policy. The policy should be communicated to all board members and considered critically when recruiting new board members. It is especially important for conflict of interest policies of charities to cover the types of conflict that can arise when a decision-maker has an affiliation with another charity or non-profit organization rather than a pecuniary (financial) conflict.



For a sample conflict of interest policy, see [http://collegeofcontinuinged.dal.ca/Files/NP\\_Conflict\\_of\\_Interest.pdf](http://collegeofcontinuinged.dal.ca/Files/NP_Conflict_of_Interest.pdf)

## 9 a. Has your board adopted a governance model?

In practice, every board has a governance style. This style may be implicit and the board relies on those who have been around for a long time to practice the style. This usually leaves new board members at a loss. If your board has not explicitly adopted a model, now is the time to do it.

There are three general types of governance models:

- **Policy Board** – mainly involved with planning the overall direction of the organization and in developing major policies; the board hires and supervises the senior staff leadership of the charity (the executive director or chief executive officer) while the responsibilities of day-to-day operations and the implementation of the policies are delegated to the staff.
- **Administrative or Working Board** – responsible for both policies and day-to-day operations. This kind of board usually runs small organizations with few or no staff.
- **Mixed board** – does a mixture of a policy governance model and an administrative governance model.



Regardless of the type of governance model that the organization adopts, the board is still ultimately accountable for the organization. Delegating responsibility does not excuse failure to exercise appropriate control and stewardship over the charity and its assets. Guidelines and checkpoints need to be established.



Take a look at a brief discussion of board governance models at [www.culture.alberta.ca/bdp/bulletins/RolesResp09-print.pdf](http://www.culture.alberta.ca/bdp/bulletins/RolesResp09-print.pdf)

## b. If yes, is this governance model stated and described to new board members, staff, and key stakeholders?

To minimize misunderstandings, the board needs to communicate and describe the adopted governance model to new board members. Do not assume that all board members know how your board operates. The governance model together with the roles and responsibilities will assist each board member to function effectively.



Keep a copy of your adopted governance model at the beginning of your Board Manual and include it as one of the key issues to discuss at board orientation.

**c. If yes to 9a, does the board regularly review the adopted governance model for effectiveness and best practices?**

It is a good practice to review the adopted governance model in order to ensure that the board is truly functioning consistently with its model. Scheduling a regular review helps ensure that self-regulation and risk management are practiced.



Add this review to your administrative calendar. A sample administrative calendar is available at [www.charitycentral.ca/docs/admincal-en.pdf](http://www.charitycentral.ca/docs/admincal-en.pdf)

**10. Has a description of the roles and responsibilities of your board been given to each board member?**

A written description of roles and responsibilities is essential in order for each board member to function within the scope of the organization's mandate and the board's responsibilities.

This description can also serve as a basis for review and for planning the future of the organization.



Include a copy of the roles and responsibilities in an orientation package for each board member.

**11. Is there a clearly defined line of authority between your board and the executive staff?**

Ambiguity can lead to problems. A clearly defined line of authority gives all involved the confidence to raise issues and take action. It is not unusual for this line to shift over time in light of the evolution of the organization, the composition of the board, and the tenure of the executive staff, among other factors. Periodically, the board should review what is appropriate given the organization's circumstances.



Lines of authority should be clearly defined within your chosen governance model.



For more information, see a brief description of governance models at [www.culture.alberta.ca/bdp/bulletins/RolesResp09-print.pdf](http://www.culture.alberta.ca/bdp/bulletins/RolesResp09-print.pdf)

**12. Are your bylaws and compliance with the bylaws reviewed periodically?**

Scheduling time to review the bylaws and to check that the bylaws are being followed helps the organization comply with the laws and be accountable to its members and stakeholders.



Add review of bylaws to your administrative calendar. It might be helpful to designate a board member to be responsible for reviewing the bylaws yearly.



### 13. Do you have written policies?

One of the board's responsibilities is to develop policies. Policy guides the board and the organization by setting limits for their actions. The number and the nature of a charity's policies depend on its developmental stage.

If you have policies, make sure that your board, staff, and volunteers are aware of the policies. Communicating the policies is just as important as developing them.



Ask yourself this question: “Do you, your staff, or your volunteers know when and which decision they can make on their own?” Where the answer to this question is “no” or “not sure,” you need to discuss the who, what, when, and how for certain decision-making and draft a policy to clarify the situation. Do NOT wait until there is a problem to develop the policy. Be proactive. Think of the parameters that the board wants to set to enable other people to take action.



- “Developing Policy” at [www.culture.alberta.ca/bdp/bulletins/DevelopingPolicy-Print\\_09.pdf](http://www.culture.alberta.ca/bdp/bulletins/DevelopingPolicy-Print_09.pdf)
- “Core Governing Policies” at [http://collegeofcontinuinged.dal.ca/Files/NP\\_Core\\_Governing\\_Policies.pdf](http://collegeofcontinuinged.dal.ca/Files/NP_Core_Governing_Policies.pdf)

## Finances

### 14. Does your board develop or approve the annual budget based on assumptions for the coming year's activities before the beginning of your fiscal year?

Your organization's annual budget shows your year-long financial requirements to carry out your activities. The budget (built prior to a fiscal year) will guide the organization in generating revenues and monitoring expenses throughout the fiscal year while engaging in charitable activities to further its purposes.

The board is ultimately responsible for the organization's finances. Thus, it is very important that the board allocate time to develop or review and approve the budget. The budget is a reflection of the financial requirements of your organization to carry out its planned activities. So the preparation of the budget should start with the organization's activity plan for the year and allocate resources and expenses to the activities. Using the previous year's Statement of Revenue and Expenses as a guide in terms of line item expenditures, you can then build a draft budget including contingency costs.

The budget is used throughout the year as a financial goal for the organization to achieve. The actual revenues and expenses have to be compared with the budget monthly to ensure that the organization is in a financially healthy condition. If the actual revenue is below the budget, the executive director needs to bring this to the attention of the board so that actions may be taken.



Budget preparation and approval has to be included in your organization's administrative calendar.



See the Board Development Program's information bulletin "Budgeting for Not-For-Profit Organizations" at [www.culture.alberta.ca/bdp/bulletins/BudgetingforN-f-POrgs09-print.pdf](http://www.culture.alberta.ca/bdp/bulletins/BudgetingforN-f-POrgs09-print.pdf)

**15. Does your organization have financial policies and practices with financial controls in place to avoid irregularities?**

Financial policies and practices do not have to be complicated. They need to ensure that finances are handled in a responsible manner. This is the key area that your organization is expected to be accountable for.



In general, financial policies need to answer the Ws:

- **Who** can authorize expenditures for **what**;
- **Who** has signing authority on the accounts;
- **How** can the board make sure that expenses are legitimate;
- **Where** is the division of power, for example, the person who records the financial transactions should not be the person who signs the cheques.



See sample financial policies at [www.mnncn.org/doc/Sample%20Financial%20Procedures%20Manual.PDF](http://www.mnncn.org/doc/Sample%20Financial%20Procedures%20Manual.PDF) and [http://collegeofcontinuinged.dal.ca/Files/Financial\\_Management\\_Policy.pdf](http://collegeofcontinuinged.dal.ca/Files/Financial_Management_Policy.pdf)

**16. a. Does your board have a process for determining and reviewing executive compensation for reasonableness, that is, fair market value?**

It's a good practice to have a process in place to regularly review the compensation package, that is, the salary and benefits of the staff, especially that of the executive director and senior managers. Often small and mid-size organizations don't pay current market compensation to their senior staff. Going through this process will bring awareness to the board about what constitutes reasonable compensation and where their organization ranks in terms of paying senior staff. This information is also important in communicating your staff compensation to the public.



Schedule a review of compensation package for your Executive Director (ED) on your administrative calendar at a time prior to the ED's annual performance review.

**17. Does your organization have a policy to ensure only reimbursement of reasonable and necessary expenses for board and staff (for example, travel and meals)?**

Board members generally cannot be paid for time spent on board-related activities, but they can be reimbursed for expenses incurred, such as travel and parking. Having a policy ensures consistency in how reimbursements are handled. The policy needs to be communicated with all involved. It also needs to be part of the periodic policy review.



Compare your reimbursement guidelines to those of a similar organization.

### CRA-Registered Charities

**18. Has your organization established procedures to follow the CRA's reporting requirements (T3010) in tracking revenues and expenses for different activities?**

Six months after your fiscal year end, you have to file your annual T3010 return to the CRA. Revenues and expenses for different groups of activities have to be reported separately. For example, in addition to reporting total expenditures on line 4950, you have to list the amount spent on charitable programs on line 5000 and management and administration on line 5010. For fundraising, you have to list the total non-receipted amounts from fundraising on line 4630 and total donations for which you issued tax receipts on line 4500.

You have to be able to document how you arrived at those numbers. So in addition to keeping track of your total revenues and expenses, you need to have procedures to track the revenues and expenses separately as they relate to charitable activities, management activities, fundraising, and political activities. If expenses have to be allocated, as in part of a staff person's salary, have procedures in place to ensure that the allocation is done consistently.



Review the T3010 annual return for financial reporting requirements.

**19. Does your board or executive director ensure that the fundraising revenues-to-expenses ratio is consistent with the CRA's suggested ratios?**

The CRA's Fundraising Guidance suggests a general rule of a ratio of no more than 35 per cent for fundraising expenses. If your costs are expected to or actually exceed this ratio, do you understand whether there are legitimate reasons this happened and are you, or will you be, reviewing your fundraising program to see if you can improve?

Specific fundraising revenues-to-expenses ratios are:

Under 35%	Unlikely to generate questions or concerns.
35% and over	The higher the expenses, the more likely it is that the CRA will have concerns. More detailed explanations of expenditures are therefore needed as this amount rises.
Above 70%	Rarely accepted without a full explanation and rationale for this level of expenditure.



Include a realistic budget when planning a fundraising initiative and monitor revenues and expenses prior to and during the initiative.





More information can be found at [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html)

**20. Is your board familiar with the organization's T3010, the annual return submitted by registered charities to the CRA?**

The board is ultimately responsible for your organization. Your board members, therefore, need to be familiar with the T3010. At the very least, they should see one of your completed T3010 annual returns as submitted to the CRA to get a sense of reporting requirements. The submitted T3010 should be available in your organization's file.

Most parts of your most recent T3010 are also available to the public on the CRA website. To access your charity's T3010, go to [www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html) and search for the name of your charity. You will be presented with a listing similar to the following (from the CRA website):

Charity Name	Status	Effective Date	City	Prov	Return
<a href="#">ABC DISASTER RELIEF FUND / 012345678RR0123</a>	Registered	2010-04-26	OTTAWA	ON	
<a href="#">XYZ DISASTER RELIEF FUND / 087654321RR0123</a>	Revoked	2010-04-27	OTTAWA	ON	

When you select the return icon, you will have access to the submitted T3010, organized by year-end.



- You might consider reviewing the T3010 at a board meeting before it is submitted to the CRA.
- As part of board training, review a completed T3010.



Direct board members to [www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html) to look at the organization's T3010.

## 21. Is your board in a position to speak to the accuracy of the information on the T3010?

Even if a staff member completes the T3010, the form has to be signed by a director (board member) who has authority to do so. At the very least, this director has to be able to speak to the accuracy of the information. Ultimately, all board members are responsible for the accuracy of the information being submitted.



Your T3010 return is due six months after your registered charity's year-end. It is a good idea to discuss the completed T3010 at a board meeting. This can be a tool to review and reflect on the previous year's activities and finances.



Direct board members to search and view the organization's T3010 at [www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html).

## Compliance to Legal Requirements



The tipsheet on “Legal Requirements for Non-Profit Organizations and Registered Charities” provides a general list of both federal and provincial laws and where to get specific information. This Tipsheet is available at [www.charitycentral.ca/docs/legalreq-en.pdf](http://www.charitycentral.ca/docs/legalreq-en.pdf)

### 22. a. Does your organization have a list of the provincial legal requirements of a non-profit or registered charity?

The provincial legal requirements may relate to maintaining your status as a legal entity, fundraising, and operations of your organization such as employment, human rights, and contracts.



The CRA website at [www.cra-arc.gc.ca/chrts-gvng/chrts/prvnscs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prvnscs/menu-eng.html) lists the provincial government website relating to provincial legislative requirements on annual reporting, gaming, fundraising, and other requirements.

### b. If yes, is there an established procedure to comply with the requirements?



For example, it's a good idea to include on your administrative calendar the date for filing the annual return to maintain your legal entity.

**In planning activities such as fundraising, check the provincial and municipal licensing requirements.**

### 23. Does your organization follow the privacy laws as they relate to the sharing of personal information?

Your organization needs to know and follow both provincial and, where applicable, federal privacy legislation.



Tipsheet on privacy laws with a checklist is available at [www.charitycentral.ca/docs/privacy-en.pdf](http://www.charitycentral.ca/docs/privacy-en.pdf)

## CRA-Registered Charities

### 24 a. Does your organization have a list of what needs to be done to maintain your registered charity status with the CRA?

General areas required for charity compliance include devoting all your resources to charitable work (that is, not engaging in prohibited activities or exceeding restrictions on certain types of activities not directly related to furthering your charitable purposes) and satisfying specific regulatory requirements with regard to donation receipts, fundraising, books and records, and financial reporting.

### b. If yes, is there an established procedure to comply with the requirements?

As regulatory obligations cover different areas and may be carried out by different people, having procedures and timelines helps to ensure that all requirements are met.



Using the pamphlet, *Your Registered Charity and Tax Law* at [www.charitycentral.ca/docs/brochure\\_en\\_web.pdf](http://www.charitycentral.ca/docs/brochure_en_web.pdf) as a guide, assign board members and/or staff to be responsible for particular tasks.

## Fundraising

### 25. Has your organization established procedures to follow provincial requirements for fundraising?

Many provinces have their own fundraising legislation. The CRA website maintains an up-to-date list of provincial legislation.



[www.cra-arc.gc.ca/chrts-gvng/chrts/prvnecs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/prvnecs/menu-eng.html)

### 26. Do your fundraising materials accurately describe your programs and activities?

The organization has to maintain control over fundraising activities. All fundraising materials have to be accurate and the organization is accountable for their content.

If volunteers or third party contractors are involved, the organization has to ensure that they fully understand the organization and can accurately represent it.

## 27. Does your organization report to the donors how their donations are spent?

For accountability and transparency, it's a good idea to have a way of reporting to your donors.



- As part of your donor stewardship process, send out an update at the end of the year and report on how the donations were used to benefit those you served or to further your mission.
- Establish and implement a practice to ensure timely responses to donor requests for information.

## 28. Are donors' wishes for privacy respected?

This relates to how you manage your list of donors. Not honouring the request for privacy could jeopardize future donations.



- Have a procedure to record the request. If your donor list is electronic, designate a column (field) for privacy wishes. Make sure that you can sort the list to omit those who asked for privacy.
- You can buy off-the-shelf fundraising software to help you organize your list of donors and keep records.



Review the Privacy Checklist at [www.charitycentral.ca/docs/privacy-en.pdf](http://www.charitycentral.ca/docs/privacy-en.pdf)

## 29. Is there a way for donors to opt out of mailing lists and other promotional tools?

For organizations using technology for promotion, it is easy to send materials to large groups of people. This also means that donors can be inundated. Giving them the choice to opt out and respecting their option is very important to your future fundraising activities. This is a strategic way to manage your donors.



This kind of request can be handled the same way as suggested in Q28.



### 30. Is the financial information relating to fundraising available to the public?

For most organizations, annual financial information including fundraising is available to the public in the organization's annual report.

For registered charities, it is also available on your T3010 on the CRA website. In the case of a major fundraising event or campaign, it's a good idea to keep the single event's financial information separate and make it available on request.



Check out the information on your submitted T3010, which is available to the public at [www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html)

## CRA-Registered Charities

### 31. Is your board familiar with the CRA's Fundraising Guidance (CPS-028)?

Fundraising activities as defined by the CRA include all activities with an “ask” component. They do not include applying for funding from any level of government or from other registered charities, such as foundations. The CRA Guidance (CPS-028) provides information about the difference between spending on charitable programs and spending on fundraising, public awareness, or other secondary activities; unacceptable and prohibited fundraising practices; reasonable fundraising costs-to-revenues ratios; and identifying signs of best practices.



The complete Guidance is at [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-eng.html) or visit [www.charitycentral.ca/node/487](http://www.charitycentral.ca/node/487) for a brief explanation of the topics covered in the Guidance.

### 32. Does your organization have a code of ethical conduct?

If you don't have a code of ethical conduct, take a look at Imagine Canada's Ethical Code Program or other codes of practice for fundraising, financial reporting, management of volunteers, and so on. In some cases, there may be a fee to be accredited or recognized as part of the program. But you may also be able to adopt practices included in such codes or develop your own standards based on them. Once you have a code or specific standards in place, publicize it through your website and elsewhere so your stakeholders know you are committed to abiding by certain practices, and how you are accountable for those practices.



After you adopt a code, have it read periodically at board meetings and staff meetings as a reminder. You could schedule it in your administrative calendar.



Check out the ethical code at [www.imaginecanada.ca/ethicalcode](http://www.imaginecanada.ca/ethicalcode)

### 33. Does your organization have policies and procedures to handle complaints?

It is a good practice for an organization to at least have a simple policy stating who, how, and when will complaints be responded to. The nature of the complaint will determine which staff and/or board members have to be involved. But designating one person responsible for processing the complaints will ensure that complaints are addressed within an appropriate time.

### 34. Does your organization share information with the public about its board members and key staff? (For registered charities, this is in addition to what is in the T3010 posted by CRA.)

The board members and key staff are usually listed in an organization brochure and the annual report. The names of the board members and/or directors (without confidential information) are listed on the T3010 submitted to the CRA and are available on the CRA website.

**35. Does your organization share information with the public about its mission, purpose, programs and/or services, and their impact?**

Community non-profit organizations and registered charities exist to do public good. By sharing information on your mission, program and services, and possible impacts, your organization is being accountable to the public.



Be strategic in including your mission, programs, services, and your successes in all your materials. Your purpose is to let the public know what you are doing for the community and to be accountable. This in turn will enhance your credibility.

**36. Does your organization share information with the public about its audit and finances? (For registered charities, this is in addition to what is on the T3010 form posted by the CRA.)**

It is important that financial information be available and shared with the public. This demonstrates accountability and transparency.

The legislation under which a non-profit organization or registered charity is constituted or operates may specify the type of financial reporting (audit, review engagement, compilation of accounts) and the qualifications necessary for the person verifying the reporting. For a registered charity, the CRA typically expects independent verification of financial statements for groups with annual revenues over \$250,000 or assets exceeding \$1,000,000.



The usual practice is to include financial statements as part of the annual report.

## Summary of Accountability Practices

### Part One – Self- Assessment Questions

Externally  
Imposed

Good  
Practices

Purposes, Objects, and Activities			
1.	Review of purposes	X	
2.	Current strategic plan	X	
3.	Program evaluation	X	
4.	Consultation with stakeholders		X
5.	Political activities (RC*)	X	
Governance			
6.	Board members at arm's-length	X	
7.	Board members at arm's length with senior staff		X
8.	Conflict of interest policy		X
9.	Governance model		X
10.	Description of roles of board members		X
11.	Defined line of authority between board and executive staff		X
12.	Annual bylaws review		X
13.	Written policies		X
Finances			
14.	Board develops or approves annual budget	X	
15.	Financial policies and practices		X
16.	Review of executive staff's compensation		X
17.	Policy on reimbursement of expenses for board members	X	
18.	Procedure to follow CRA reporting requirements (RC)	X	
19.	Fundraising revenues-to-expenses ratio (RC)	X	
20.	Board's familiarity with T3010 (RC)	X	
21.	Board's ability to speak to the accuracy of T3010 (RC)	X	
Compliance to Legal Requirements			
22.	List of provincial legal requirements	X	
23.	Knowledge of privacy laws	X	
24.	List of requirements to maintain registered charity status (RC)	X	

		Externally Imposed	Good Practices
Fundraising			
25.	Procedure to follow provincial fundraising requirements	X	
26.	Accuracy of fundraising materials	X	
27.	Report to donors on funds spent		X
28.	Respecting donor's privacy wishes	X	
29.	A way for donor to opt out of mailing lists		X
30.	Availability of financial information on fundraising		X
31.	Familiarity with CRA's Fundraising Guidance (RC)	X	
32.	Code of ethical conduct		X
33.	Policies and procedures to handle complains		X
34.	Sharing information with the public about board members and key staff		X
35.	Sharing information with the public about your purposes, programs, services and their impact		X
36.	Sharing financial information with the public		X

\*RC denotes Registered Charity

## Part Three

# Action Plan

### For use with Self-Diagnostics Pack: Parts One and Two

Now that you have completed your self-assessment (Part One) and gathered more information (Part Two), how are you going to set in motion a plan for your organization to gather existing tools or develop new tools to become more accountable?

Here are the suggested steps for you to develop your plan of action

- a. Using the Action Chart on the next page, check the externally imposed accountability practices or policies that your organization has and list the person who is responsible.
- b. On the same chart, note the externally imposed accountability practices that you do not have.
- c. Set your priorities for the policies or practices that you do not have. Which policy or practice are you going to develop first?
- d. Assign people and establish timelines to develop those you do not have.
- e. Prepare a detailed action plan including priorities in addition to what is on the chart.
- f. Do the same with the Good Practices (practices that assist charities to be better in what they do as an organization) and develop an action plan following Steps b to e.

# Action Chart

This chart can assist you in developing your Action Plan.  
It also serves as a record of your decisions.  
Part One – Self-Assessment Questions

*Externally imposed*  
*Good practices*  
*Have*  
*To be developed*  
*Responsible person*  
*Timeline*

Purposes, Objects, and Activities							
1.	Review of purposes	X					
2.	Current strategic plan	X					
3.	Program evaluation	X					
4.	Consultation with stakeholders		X				
5.	Political activities (RC*)	X					
Governance							
6.	Board members at arm's-length	X					
7.	Board members at arm's length with senior staff		X				
8.	Conflict of interest policy		X				
9.	Governance model		X				
10.	Description of roles of board members		X				
11.	Defined line of authority between board and executive staff		X				
12.	Annual bylaws review		X				
13.	Written policies		X				
Finances							
14.	Board develops or approves annual budget	X					
15.	Financial policies and practices		X				
16.	Review of executive staff's compensation		X				
17.	Policy on reimbursement of expenses for board members	X					
18.	Procedure to follow CRA reporting requirements (RC)	X					
19.	Fundraising revenues-to-expenses ratio (RC)	X					
20.	Board's familiarity with T3010 (RC)	X					
21.	Board's ability to speak to the accuracy of T3010 (RC)	X					
Compliance to Legal Requirements							
22.	List of provincial legal requirements	X					
23.	Knowledge of privacy laws	X					
24.	List of requirements to maintain registered charity status (RC)	X					

Externally imposed  
Good practices  
Have  
To be developed  
Responsible person  
Timeline

Fundraising						
25.	Procedure to follow provincial fundraising requirements	X				
26.	Accuracy of fundraising materials	X				
27.	Report to donors on funds spent		X			
28.	Respecting donor's privacy wishes	X				
29.	A way for donor to opt out of mailing lists		X			
30.	Availability of financial information on fundraising		X			
31.	Familiarity with CRA's Fundraising Guidance (RC)	X				
32.	Code of ethical conduct		X			
33.	Policies and procedures to handle complains		X			
34.	Sharing information with the public about board members and key staff		X			
35.	Sharing information with the public about your purposes, programs, services and their impact		X			
36.	Sharing financial information with the public		X			

\*RC denotes Registered Charity



The logo features a green rectangular sign with the words "ROAD TO" in white, tilted slightly upwards. A grey road line curves around the sign.

# Accountability

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