

## AUDIT REQUIREMENTS FOR NOT-FOR-PROFIT ORGANIZATIONS

### Summary

As a Not for Profit Organization (NPO) the requirements for an audit or a lower level assurance engagement are dictated by the jurisdiction in which you were originally incorporated. The federal and provincial guidelines while similar, have different income thresholds and exclusions for an audit. As a NPO, it is very important that you understand your organization's compliance requirements. For ease of reference we have summarized the key difference between both jurisdictions below.

### Canada Not-for-Profit Corporations Act

- Bill received Royal Assent June 23, 2009.
- The objective of C-4 is to foster greater public trust in non-profit organizations (NPOs) and to improve the flexibility of the legislation by reducing the regulatory requirements to change parts of it in the future.
- Soliciting is defined as “a corporation that receives public money directly or indirectly from public donations or grants from a government.”
  - This is a very board definition and captures many NPOs.
- Soliciting corporation is a corporation that solicits over \$10,000 a year from a public source.
  - There are specific rules on when a corporation officially becomes and is no longer a soliciting corporation.
- NPOs must inform Corporations Canada within 15 days of any significant changes such as a change of directors or addresses as opposed to the current rules that call for an annual summary.
- Board members can now demand access to accounting records.
- Members and creditors of the corporation can demand registers of directors, minutes for meetings and by-laws.
- Directors are able to claim due diligence defence.
- Under the Canada Not-for-profit Corporations Act there are five (5) categories that an NPO can fall into when determining assurance requirements, with three possible outcomes: no review, a review, an audit.

Type of Corporation	Gross Annual Revenues	May Dispense with Public Accountant	Review Engagement	Audit
Soliciting	Less than \$50K	Yes	Default	Optional
Soliciting	Between \$50K & \$250K	No	Optional	Default
Soliciting	More than \$250K	No	No	Mandatory
Non-soliciting	Less than \$1M	Yes	Default	Optional
Non-soliciting	More than \$1M	No	No	Mandatory

- New rights and abilities to liquidate, dissolve and revive NPOs. Previously NPOs had very little authority in these areas.
- NPOs must complete the transition to the new Act within three (3) years; no fees charged.
  - Failure to do so will result in dissolution of the corporation and fees will be required to revive it.
- Upon completing the transition to C-4, the director has to issue a “certificate of continuance.”

### Ontario Not-for-Profit Corporations Act

- Bill received Royal Assent on October 25, 2010.
- Public Benefit is defined as “a charitable corporation, and a non-charitable corporation that receives funds in the form of donations or gifts from non-members, government grants or other aid.”
- Public Benefit Corporation is a corporation that receives over \$10,000 a year from the above mentioned sources.
- Directors are able to claim due diligence defence.
- Under the Ontario Not-for-Profit Corporations Act there are five (5) categories that an NPO can fall into when determining assurance requirements, with three possible outcomes: no review, a review, an audit.

Type of Corporation	Gross Annual Revenues	Can conduct Compilation rather than Audit or Review Engagement	Review Engagement	Audit
Public Benefit	Less than \$100K	Yes	Optional	Default
Public Benefit	Between \$100K & \$500K	No	Optional	Default
Public Benefit	More than \$500K	No	N/A	Mandatory
Non-Public Benefit	Less than \$500K	Yes	Optional	Default
Non-Public Benefit	More than \$500K	No	Optional	Default