

# Glossary

*The following information has been gathered from various sources, particularly (but not exclusively) Charity Central. Other sources are given in footnotes.*

For accounting terminology, please refer to **Section 7.9**.

## **Absolute majority**<sup>1</sup>

When a motion or nominee has the support of more than half of the voters

## **Act**<sup>2</sup>

An individual piece of legislation passed by a government. This term is used interchangeably with “statute” except when used in the name of a specific act.

## **Advantage**

An advantage is the total value of any property, service, compensation, use, or any other benefit that a donor receives in return for his or her donation.

## **Amendment**<sup>3</sup>

Formal change to a statute, incorporation document, policy or motion.

## **Annual general meeting or AGM**

The AGM is a legally required meeting that is held each calendar year in which all members (and shareholders) meet to review financial statements, elect new directors, and conduct certain other business.

## **Annulment**<sup>4</sup>

Under the *Income Tax Act*, the Minister of National Revenue can annul a registered charity’s status if it was registered in error or if it has ceased to be a charity as a result of a change in law. A charity that has been annulled is deemed never to have been registered as a charity and, consequently, is not subject to revocation tax. However, an official donation receipt issued by a charity prior to the annulment of its registration is valid as long as it would have otherwise been valid.

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1 *Legal and Ethical Duties of Directors of Not-for-Profit Organizations: Organizing Your Corporate Documents* (2009). Lois Gander. The Muttart Foundation. [www.muttart.org/sites/default/files/downloads/publications/legal\\_and\\_ethical\\_1\\_organizing.pdf](http://www.muttart.org/sites/default/files/downloads/publications/legal_and_ethical_1_organizing.pdf)

2 *Ibid.*

3 *Ibid.*

4 *Ibid.*



### Arm’s length<sup>5</sup>

At arm’s length is a concept describing a relationship in which the parties are acting independently of each other. The opposite, not at arm’s length, includes individuals who are related to each other by blood, marriage, adoption, and common-law relationships, as well as people with shared interests such as those with close business or organizational ties.

### Audit

Basically, a regularly scheduled systematic review and verification of a group’s actions and accounts. An audit is usually conducted by qualified accountants. Charities need to be aware that the term “audit” isn’t always precisely used. When someone uses the term, they may be referring to:

- A compilation (or a Notice to Reader),
- A review, or
- A full audit

See Section 7 for full information on audits.

### Books and records

Books and records are both the governing documents and financial records of an organization.

### Business number (BN)<sup>6</sup>

Numbering system used by Canada Revenue Agency (CRA) that simplifies and streamlines the way businesses deal with the federal government. It is based on the idea of one business, one number.

### Bylaws<sup>7</sup>

The portion of a corporation’s constitution that sets out the internal rules by which the organization will be governed

### Certificate of incorporation or letters patent

The *certificate of incorporation* or *letters patent* announces to the rest of the world that your organization is in existence. These are the formal letters from the incorporating government which indicate that the organization is now incorporated.

### Charitable Fundraising Act – Alberta<sup>8</sup>

“Sets standards for charitable organizations and professional fund-raisers when soliciting contributions and helps protect the public from fraudulent, misleading or confusing solicitations. Ensures that members of the public have sufficient information to make informed decisions when making charitable donations”.

5 CRA [www.cra-arc.gc.ca/chrts-gvng/chrts/glsry-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/glsry-eng.html)

6 *Legal and Ethical Duties of Directors of Not-for-Profit Organizations: Organizing Your Corporate Documents* (2009). Lois Gander. The Muttart Foundation.

7 *Ibid.*

8 [www.servicealberta.gov.ab.ca/208.cfm#Charitable\\_Fund\\_raising](http://www.servicealberta.gov.ab.ca/208.cfm#Charitable_Fund_raising)



### **Charitable Fund-raising Number<sup>9</sup>**

Unique number issued to an organization licensed under the Alberta *Charitable Fundraising Act*.

### **Consensus<sup>10</sup>**

A general agreement among the members of a given group or community

### **Consensus decision-making<sup>11</sup>**

A process that not only seeks the agreement of a majority of participants, but also seeks to resolve or minimize the objections of the minority to achieve the most agreeable decision

### **Constitution<sup>12</sup>**

The documents used to incorporate an organization. The specific documents will vary depending upon the statute that the organization is incorporated under. The constitution sets out the purpose of the organization and the way it is to be governed. The constitution is binding on the organization's directors and members.

### **Contract<sup>13</sup>**

A set of promises or an agreement that the courts will enforce

### **Corporate Access Number (Alberta)<sup>14</sup>**

Unique number issued to a corporation by the Alberta Corporate Registry Office upon registration of the organization. (Number is located on the top right corner of the Certificate of Incorporation document)

### **Corporate Number (federal)<sup>15</sup>**

Unique number issued by the government of Canada upon incorporation of an organization.

### **Corporate seal<sup>16</sup>**

A seal adopted and used by a corporation as part of its official signature.

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9 *Legal and Ethical Duties of Directors of Not-for-Profit Organizations: Organizing Your Corporate Documents* (2009). Lois Gander. The Muttart Foundation.

10 *Ibid.*

11 *Ibid.*

12 *Ibid.*

13 *Ibid.*

14 *Ibid.*

15 *Ibid.*

16 *Ibid.*



### The *De Minimis* threshold rule

The *de minimis* threshold rule allows a donor to receive an official donation receipt for the full amount, when the advantage that the donor receives does not exceed the lesser of \$75 or 10 per cent of the amount of the gift to the registered charity.

*Example:*

A museum gives small gifts to acknowledge donations of certain amounts. Can the museum issue donation receipts for these gifts?

- For a \$150 donation, donors receive a calendar worth \$14  
The \$14 calendar is worth less than the lesser of \$75 or **\$15** (10 per cent of the \$150 donation) and is therefore not considered an advantage. An official receipt can be issued for **\$150**.
- For a \$200 donation, donors receive a tote bag worth \$25  
The \$25 tote bag is worth more than the lesser of \$75 or **\$20** (10 per cent of the \$200 donation) and must be considered an advantage. An official receipt can be issued for **\$175**.
- For a \$1,000 donation, donors receive a gift certificate worth \$100  
The \$100 gift certificate is greater than the lesser of **\$75** or \$100 (10 per cent of the \$1,000 donation) and must be considered an advantage. An official receipt can be issued for **\$900**.

### Deregistration<sup>17</sup>

See *revocation*.

### Director (Trustee)<sup>18</sup>

**'Director' refers to a member of a board of directors. The term 'director' should be understood as referring to any duly elected or appointed member of the board or other governing body.** Most corporations [i.e. not-for-profit] statutes contemplate the possibility of ex officio directors and honorary directors. Some corporations include in their governance structure provisions that restrict the capacity or limit the powers, such as voting rights, of particular individuals affiliated with their board [such as ex officio directors]. As such individuals remain potentially subject to liability, they are not distinguished from other 'directors' in the text.

- 'Chair' refers to a person presiding over the board or a committee.
- 'Executive director' refers to the individual presiding over the day-to-day operations of a corporation.
- 'Member' refers to a person with voting rights in the corporation.
- 'Stakeholders' refers to members, and other constituencies of the corporation. These could include (but are not limited to): donors, staff, volunteers, alumni, and clients. Again, depending on the practice of your organization, you may be familiar with some of these functions by other terms.



<sup>17</sup> *Ibid.*

<sup>18</sup> Primer for Directors of Not-for-profit Corporations: Rights, Duties and Practices. Industry Canada, 2002



### Dissolution<sup>19</sup>

The breaking down or ending of the organization – OR – The act of ending, terminating or winding up a company or state of affairs. For example, when the life of a company is ended by normal legal means, it is said to be “dissolved”.

### Eligible amount of gift for tax purposes<sup>20</sup>

The amount of a gift that a donor can claim on his or her tax return. Generally, this is the amount by which the fair market value of the donated property exceeds the amount of an advantage, if any, in respect of the donation

### Fair market value (FMV)

is understood as:

- the highest dollar value you can get for your property;
- in an open and unrestricted market;
- on the day that it was transferred;
- between a willing and knowledgeable buyer:
- and a willing and knowledgeable seller;
- who are acting independently of each other

### Federal incorporation<sup>21</sup>

Incorporation under a federal statute, usually the *Canada Corporations Act* – Part II rather than under a provincial or territorial statute

### Fiscal year<sup>22</sup>

Period of 12 consecutive months chosen by an organization as its accounting period, which may or may not be a calendar year – or – the 12 months (or, for incorporated charities, a period of up to 53 weeks) covered by an organization’s financial statements.

### Framework policies

Clarify the organization’s philosophy, mission and vision, and outline the beneficiaries the organization will serve. They may include one or more of the following:

- Mandate
- Belief statement
- Vision statement
- Mission statement
- Target statement
- Aim statements
- Objects

The most commonly used of these is a mission statement or mandate.

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19 *Legal and Ethical Duties of Directors of Not-for-Profit Organizations: Organizing Your Corporate Documents* (2009). Lois Gander. The Muttart Foundation.

20 CRA [www.cra-arc.gc.ca/chrts-gvng/chrts/glsry-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/glsry-eng.html)

21 *Legal and Ethical Duties of Directors of Not-for-Profit Organizations: Organizing Your Corporate Documents* (2009). Lois Gander. The Muttart Foundation.

22 *Ibid.*



## Gift

A gift is a voluntary transfer of property, meaning:

- It is given of one's free will; the donor must not be obliged to part with the property, for instance as the result of a contract or a court order.
- It is given by a donor to a Registered Charity or other qualified donee.
- It is either in the form of cash or a gift-in-kind; services are not property and therefore are not considered gifts.

## Gift-in-kind

A gift of property other than cash. It includes numerous types of property, in particular inventory, capital property, and depreciable property. Donations of real estate, stocks and bonds, and personal items are all considered gifts-in-kind. Items of little value, such as hobby crafts or home baking, do not qualify as gifts-in-kind for the purposes of issuing a tax receipt.

## Governance

Relates to decisions that define expectations, grant power, or verify performance. It is the means by which the board of directors guides and monitors the values and goals of its organization

## Governing document<sup>23</sup>

A governing document gives an organization its legal existence. The document identifies the organization's name, states its purpose(s), and describes its structure and internal procedures.

### Types of governing documents

All registered charities (other than internal divisions\* of existing registered charities) must be legally established by one of the following types of governing documents:

- incorporating documents (for example, letters patent or articles of incorporation)
- a constitution
- a trust document (for legal trusts).

\*An internal division is a branch, section or division of a registered charity. An internal division does not have its own governing document but operates under the governing document of a parent body or head body. To apply for registration as a charity, an internal division must provide a **letter of good standing**.

### Other governing documents

An organization may have a governing document that is not an incorporation document, a constitution, or at trust (for example, an organization established by an act of Parliament, or a will). If this applies to your organization, **contact the CRA** for information before you send your application for registration.

## In good standing<sup>24</sup>

A corporation that has complied with all statutory and regulatory requirements for filing of documents

23 CRA (from [www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/gdc/wgd-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/gdc/wgd-eng.html))

24 *Legal and Ethical Duties of Directors of Not-for-Profit Organizations: Organizing Your Corporate Documents* (2009). Lois Gander. The Muttart Foundation.



### *Income Tax Act*

Canadian federal government act pertaining to all taxes on income.

View at: <http://laws.justice.gc.ca/en/showdoc/cs/l-3.3/20090929/en?page=1>

### **Incorporation**

The process by which an organization gets its legal status, i.e. the process by which a corporation is created. These can include business corporations, cooperatives, not-for-profit companies, and societies. Incorporation takes place according to the specific requirements of an act passed by a provincial or federal government.

### **Legislation<sup>25</sup>**

Acts or statutes passed by governments together with any regulations made under the authority of the statute.

### **Letters patent<sup>26</sup>**

“Letters patent” refers to the document issued when an organization is incorporated under federal legislation. It includes the information contained in the application for incorporation that sets out the corporate objects or purposes which is filed under the *Canada Corporations Act* Part II.

### **Majority<sup>27</sup>**

The number of people who must favour a motion before it can be carried. A “simple majority” is more than half the members voting, that is, 50 percent plus one additional person.

### **Majority rule<sup>28</sup>**

The system of giving the largest group in a particular place or area the power to make decisions for everyone – OR – Rule by the choice of the majority of those who actually vote, irrespective of whether a majority of those entitled to vote participate.

### **Minutes**

Minutes, which are considered a Governing Document, are the official record of a meeting, to specify what was done and what was decided.

### **Mission statement**

Declares what business the organization is in and how the organization will work toward its vision, and explains what is unique about the organization, and what it adds to society (1-10 sentences long).

### **Notification of registration**

If your organization has been granted charitable status, it will have been issued a Notification of Registration by the Canada Revenue Agency (CRA). This notification is considered a historical document of your charity.

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25 *Ibid.*

26 *Ibid.*

27 *Ibid.*

28 *Ibid.*



## NUANS<sup>29</sup>

NUANS (Newly Upgraded Automated Name Search) is a computerized search system that, for the purposes of Corporate Registry, compares a proposed corporate name to a database of existing corporate names.

## Objects<sup>30</sup>

Aim or purpose, the thing sought to be attained or accomplished. A corporation's objects are stated in its constitution

## Official donation receipt

An official donation receipt is a receipt issued by charities that are registered with the Canada Revenue Agency's Charities Directorate, and other qualified donees for gifts received.

Official donation receipts must comply with certain requirements specified by the CRA.

## Policy

A policy is a deliberate decision made by the Board that provides guidance for addressing identified objectives and concerns.

## Procedure

A procedure, which may change frequently, details methods by which these principles of a policy are implemented. A procedure is step-by-step instructions that bring a policy to life.

## Qualified donee

Qualified donees are organizations that can, under the *Income Tax Act*, issue official tax receipts for gifts that individuals or corporations make to them.

Entities considered qualified donees are set out in section 118.1 of the *Income Tax Act*. See the list online: [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-q01-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-q01-eng.html)

## Quorum<sup>31</sup>

The minimum number of people, as specified in the bylaws or meeting rules, required at each board meeting, general meeting, or special meeting for business to be legally carried out. In the absence of a quorum, most rules of order state that formal debate cannot continue.

## Registered office<sup>32</sup>

Official location where official forms and notices must be delivered to the organization

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29 *Ibid.*

30 *Ibid.*

31 *Ibid.*

32 *Ibid.*



### Revocation<sup>33</sup>

Cancellation of a charity's registered charitable status. Action which may be taken by the Canada Revenue Agency when a charity has not met the filing requirements of the *Income Tax Act*. On revocation of a charity's registration:

- the charity is no longer exempt from tax, unless it qualifies as a non-profit organization;
- it cannot issue official donation receipts; and
- it may be subject to a tax equivalent to the full value of its remaining assets (revocation tax).

### Split receipting

The term "split receipting" refers to the fact that, from the charity's perspective, the donation is split into two portions:

- the portion for which the charity can issue a receipt (that is, the eligible amount)
- and**
- the portion for which the charity cannot issue a receipt (that is, the advantage).

### Statute<sup>34</sup>

An individual piece of legislation passed by a government. It is used interchangeably with "Act" except when used in the name of a specific statute.

### Struck<sup>35</sup>

Removal of the corporation from the active status records of a corporate registry.

### Winding up<sup>36</sup>

The process of settling the accounts and liquidating the assets of a corporation for the purpose of distributing any assets and dissolving the organization

### Year end<sup>37</sup>

Final date of a fiscal year – OR – taking place at the close of a fiscal year; eg. "year-end audit"

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33 *Ibid.*

34 *Ibid.*

35 *Ibid.*

36 *Ibid.*

37 *Ibid.*