

## COCO INFO-SHEET



COCo – The Centre for Community Organizations  
3680 Jeanne-Mance, #470 Montreal (QC) H2X 2K5 ph: (514) 849-5599 or (866) 552-2626 fax: (514) 849-5553 or (866) 560-2626  
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# Annual General Meetings, Special General Meetings and Non-Profit Organizations

## Introduction

### About This Info-Sheet

This info-sheet provides information about Annual General Meetings (AGMs) and Special General Meetings (SGMs). We review some of the legal requirements for AGMs and SGMs, and highlight how general meetings can play an important role in engaging our members and maintaining the health of our organizations.

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### **PUBLISHED JUNE 2010, UPDATED 2012**

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### Where Does COCo Find This Legal Information?

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This info-sheet draws heavily from two excellent resources: the CSMO's *Boîte à outils* and Paul Martel's helpful book on board members' responsibilities. We also consulted with lawyers and accountants specialized in working with non-profits.

Check out some of the great resources we used to create this info-sheet:

#### **Guide (Martel, Paul)**

*Administrateurs de corporations sans but lucratif: Le guide de vos droits, devoirs et responsabilités* (Éditions Wilson & Lafleur, Martel Ltée., Montréal, 2<sup>e</sup> édition, 2000)

#### **Comité sectoriel de main-d'œuvre (CSMO)**

*Fiche 2 : La structure juridique des OBNL et la gouvernance démocratique* in *Boîte à outils : La gouvernance démocratique*

[http://www.csmoesac.qc.ca/uploads/documents/menu\\_sections/boite\\_a\\_outils.pdf](http://www.csmoesac.qc.ca/uploads/documents/menu_sections/boite_a_outils.pdf)

[f](#)

These resources are currently only available in French. Please contact COCo if you need help navigating them.

### Why do Annual General Meetings and Special General Meetings Matter?

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At COCo, we believe that social change is not only about our end goals, but that the internal structures we build within our organizations also help create strong social movements and communities. Of course, AGMs can sometimes just feel like a bureaucratic requirement that we have once a year, a stressful chore that leaves many people worried about making sure everything that is required legally or by funders gets done. Writing an annual report on the organization's activities may fall at the bottom of the "to do" list, and ensuring that the financial review or audit (if either are required) is ready for the meeting can be time-consuming.

While the necessary formalities may seem frustrating, AGMs can serve an important role in the democratic life of social movements. Every year, our AGMs give us the opportunity to gather

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people together to talk about the year's struggles and victories, to get new people involved in the structure of the organization, and to plan priorities for the coming year. When we think through all the bureaucratic things we need to do at our annual general meetings, either because the law, our by-laws or funders require them, we can choose to view them as vital to maintain the health of our organizations. For example, at an AGM the board presents the past year's financial information to the membership. Making sure that the finances of an organization are in order, and presenting this information to the membership promotes transparency and accountability.

Like AGMs, we can choose to see SGMs as tools for ensuring our organizations are run democratically and with the participation of our membership. SGMs give the membership a say in major decisions that are being made about the structure, direction, location, and governance of the organization. In a time when we often feel that political representatives at the federal, provincial or municipal level are not responsive enough to the values we hold dear, general meetings are places where we have a big say in the direction of our organizations.

### **Federally vs. Provincially Incorporated Organizations**

Since the rules are different depending on where your organization was incorporated, this info-sheet divides the responses to each question into two parts, federally incorporated organizations and provincially incorporated organizations.

If you don't know whether your organization is incorporated, or whether it is incorporated federally or provincially, get in touch with us at COCo. You can also look at your organization's founding documents or letters patent. If you are provincially incorporated, you can contact the Registraire des Entreprises du Quebec to see if your organization is incorporated in the province.

For information on what it means to incorporate as a non-profit organization, and how to do it, see COCo's infosheet:

#### **COCO Infosheet**

*Incorporation of a Non-Profit in Quebec*

<http://coco-net.org/en/node/339>

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### **New Federal Non-Profit Legislation: The *Canada Not-for-profit Corporations Act (NFP Act)***

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The new law which governs federally incorporated non-profits, the *Canada Not-for-profit Corporations Act (NFP Act)*, recently came into force on October 17, 2011. Organizations who are already federally incorporated have **until October 17, 2014 to transition to the NFP Act**. For more on this federally required transition, please refer to the following guide:

#### ***Corporations Canada: Transition Guide***

[https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs04954.html](https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04954.html)

You can also be in touch with Corporations Canada for more details:

#### ***Corporations Canada***

Toll-Free: 1-866-333-5556

[http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs03925.html](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs03925.html)

***Please note that non-profits incorporated provincially are not affected by these changes.***

### **A Note on By-Laws**

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By-laws are the rules an organization makes about how it runs internally, usually focusing on annual general meetings, board meetings, board elections, special general meetings, and other governance topics. By-laws are different from *policies*. *Policies* tend to address the day-to-day working of an organization, including, for example, hiring policies, sick and vacation time policies and purchasing policies. Changes to by-laws need to be approved by the membership at a general meeting in order to be binding, while policies are generally just approved at the staff and/or board level.

It is important to know that for by-laws to be binding, they must comply with the Quebec Companies Act and what is stated in an organization's letters patent, if the organization is incorporated provincially, or the Canada Not for Profit Corporations Act, if it is incorporated federally.

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Now that this new federal law is in effect, federally incorporated non-profits need their by-laws to conform to rules in the new act. Organizations have until October 17, 2014 to change their by-laws and adapt to the new rules. For assistance with this transition, see Corporations Canada's Transition Guide:

### ***Corporations Canada: Transition Guide***

[https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs04954.html](https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04954.html)

### ***Review Your Letters Patent and By-laws***

<http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04960.html>

### ***Corporations Canada: Sample By-laws***

<http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04999.html>

For provincially incorporated organizations, see Paul Martel's great book *Administrateurs de corporations sans but lucratif* and the government of Quebec's *Votre association* for examples of legally compliant by-laws. Both books are available for sale from COCo or to borrow from our resource library:

### ***Guide for Board Members***

*Administrateurs de corporations sans but lucratif: Le guide de vos droits, devoirs et responsabilités* (Éditions Wilson & Lafleur, Martel Ltée., Montréal, 2<sup>e</sup> édition, 2000)

### ***Guide: Your Non-Profit Organization***

*Votre Association: personne morale sans but lucratif* (Les publications du Québec, 2006)

Please note that while sample by-laws can be useful as guidelines, many organizations find it important to create by-laws that are adapted to the needs and spirit of their organization and its mandate. For example, organizations that value participants taking on leadership roles may have by-laws requiring that some of the members of their board have participated in the organization's activities. Having former program participants become board members helps to

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ensure a grassroots connection at the organization, and can promote internal leadership building.

### A Note on Letters Patent

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#### *If you are provincially incorporated*

The letters patent are the articles of incorporation that an organization receives from the government once it has incorporated. They are like the organization's birth certificate, and are important documents to keep on hand, as they will be useful at many times in an organization's life. The letters patent set out the organization's reason for being – they are a founding document that states briefly what the organization will do. **A few key things must be indicated in the letters patent, including where the head office of the organization is located and the number of board members.** Changes to the letters patent require the approval of the membership. For more information about what is included in the letters patent, and the incorporation process, please see:

#### **COCO Infosheet**

*Incorporation of a Non-Profit in Quebec*

<http://coco-net.org/en/node/339>

#### *If you are federally incorporated*

If your organization was incorporated before 2011, it currently has letters patent similar to those described above (for provincially incorporated organizations). **Letters patent are not part of the incorporation process under the new law.** Instead, Industry Canada/Corporations Canada now provides **articles of incorporation**, which leaves Industry Canada with less discretion as to who can incorporate a non-profit.

Now that the new law (the **Canada Not-for-profit Corporations Act**) is in force, organizations that now apply for federal incorporation receive articles of incorporation.

If you were incorporated federally under the old law, your organization has to **apply for a continuance under the new law by October 17, 2004**. Once doing so you will receive your own articles of incorporation. You can also be in touch with Corporations Canada for more details:

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## **What is an Annual General Meeting, and What Happens During One?**

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An AGM is a meeting for an incorporated organization's membership that has to take place once a year. AGMs are an important part of the democratic life of an organization as they allow for the election of representatives (board members) and communication between the organization and its membership. Although an organization can choose to include many things in its AGM (for example a meal or a workshop), there are some things that organizations must do at their AGMs. Depending on our organization's by-laws, the rules in our letters patent, and what our funder requires, these may include a statement of accounts and/or an auditor's report, the election of new board members, naming an auditor, and passing or rejecting by-laws that were proposed by the board of directors. It is important to note that no matter what a funder may ask for, the law requires us these to present financial information, hold elections, and appoint an auditor for the coming year at our AGM. Because the rules that our organizations have to follow can be confusing and depend on our organization's specific situations, COCo developed this info-sheet in the hopes of helping clarify the requirements for AGMs.

## **When Should we Have our AGM?**

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### ***If you are provincially incorporated***

All organizations should hold their AGMs **within four months** of the end of their fiscal year as it gives you the opportunity to present recent financial data.

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### **What is a Fiscal Year?**

The fiscal year is the financial year your organization uses to budget its spending. Fiscal years are not the same from organization to organization. At COCo, many non-profits we work with have fiscal years that are either January 1 - December 31 or April 1 - March 31.

Please contact COCo if you want more information on fiscal years, what informs people's choice about what fiscal years they choose, and whether an organization's fiscal year can be changed.

**Some organizations have a fixed date in their by-laws for their AGM.** For example:

#### **Organizations with a Fixed Date for their AGM**

In their by-laws, the *WolfRat Bike Collective* must have their AGM on May 2 every year. This is within four months of the end of their fiscal year that goes from April 1 – March 31.

If the *WolfRat Bike Collective* wanted to change the date of their AGM, they would have to change their by-laws.

**Some organizations do not have a fixed date in their by-laws, but their by-laws say approximately when the AGM needs to be held.** For example:

In their by-laws, it states that *No More Poverty* has to have their AGM between the 3<sup>rd</sup> week of February and the 3<sup>rd</sup> week of March. This is within four months of the end of their fiscal year that goes from January 1 – December 31.

If *No More Poverty* wanted to change the date of their AGM, they would have to change their by-laws.

**If an organization's by-laws do not make any reference to when they should have their AGM they are required to hold it on the 4<sup>th</sup> Wednesday of January each year.** For example:

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In their by-laws, *Stop the War* says nothing about the date of their AGM. They will have to hold their AGM on the 4<sup>th</sup> Wednesday of January every year, regardless of when their fiscal year ends.

If *Stop the War* wanted to change the date of their AGM, they would have to change their by-laws.

Note that organizations can hold their AGM at any time of the year as long as the date, or time frame, is stated in their by-laws. The reason it is suggested that the AGM be held within four months of the end of your fiscal year is because you must present financial statements at your AGM that have been approved within the last four months.

### ***If you are federally incorporated***

If your organization is incorporated federally, you have to hold your first AGM within the first 18 months of operation. After that, under the old law, your AGM has to be held no later than 15 months after the last one took place. Under the new Act, the AGM has to be held no later than 15 months after the last one took place *but not later than six months after the end of your fiscal year*.

A specific date for the AGM can also be fixed in an organization's by-laws. *This is the same under the old and new law.*

### **Giving Notice of an AGM or a Special General Meeting (SGM)**

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Whether we are incorporated in Quebec or federally, we are required to give our members notice of our general meetings. It is a healthy practice to always be updating membership contact lists in order to be able to let them know about an upcoming general meeting.

### ***If you are provincially incorporated***

An organization's by-laws can set how much notice is needed and the different ways notice can be given. However, if the by-laws don't specify otherwise, to have an AGM or a SGM, an organization needs to give the membership at least 10 days notice that it is happening. Typically, the AGM must be held in Quebec. However, if the letters patent say it is possible to hold the meeting outside of Quebec, or if the entire membership agrees to meet outside Quebec, it is possible to do so.

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If nothing is stated in the by-laws, organizations must send written notice to members at their last known mailing address. The organization must also post a notice of the meeting in a local newspaper. The notice has to contain the time, place and nature of the meeting (whether it is an AGM or a SGM).

To avoid having the meeting declared invalid because we couldn't reach every member of our organization, many by-laws state that the accidental failure to give a member notice of an AGM or SGM does not make the meeting invalid. Members must be physically present to participate in the meeting, and cannot attend via videoconference. For more information on when people can use videoconferencing to attend meetings in non-profits, please see:

### ***Comité sectoriel de main-d'œuvre (CSMO)***

*Fiche 2 : La structure juridique des OBNL et la gouvernance démocratique in Boîte à outils :*

*La gouvernance démocratique at p. 131*

[http://www.csmoesac.qc.ca/uploads/documents/menu\\_sections/boite\\_a\\_outils.pdf](http://www.csmoesac.qc.ca/uploads/documents/menu_sections/boite_a_outils.pdf)

### ***If you are federally incorporated***

Under the old law federally incorporated organizations must give at least 14 days notice (and less than 60 days notice) to the membership that an AGM or SGM is happening. The meeting has to take place in Canada, typically at a place indicated in the by-laws. If the by-laws do not say where the AGM should happen (for example, within the city of Montreal) the board members can choose a place within Canada to hold the meeting. Unless the by-laws state otherwise, members can attend the meeting by videoconference or by other electronic means as long as they allow members to communicate well with one another.

**Under the new law**, organizations are required to create a by-law that deals with the amount of notice required and how voting members will be notified. Please contact COCo or consult the *Canada Not-for-profit Corporations Regulations* for the legal parameters on this. Note that there are publication requirements for organizations with more than 250 members.

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### **Canada Not-for-profit Corporations Regulations**

*See section 63 for regulation concerning AGM notice*

<http://laws-lois.justice.gc.ca/eng/regulations/SOR-2011-223/page-8.html#h-24>

## **Elections at AGMs**

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### *If you are provincially incorporated*

**Length of Term:** Board members are often elected for a one-year term at an AGM, but organizations can stipulate in their by-laws that board members have longer terms. In Quebec it is possible for board members to have a maximum term of two years. This makes it possible for board members to overlap between elections, allowing for those with more experience to introduce new board members to how the board works. However, if board members have two year terms, there is no legal requirement to hold elections every year.

**Limitation on Reelection:** Board members can run for re-election as long as the organization's by-laws do not state that there are a limited number of terms that one person can sit as a board member.

**Voting Method:** Elections of board members can happen by a show of hands or by ballot. The board can appoint new board members to fill vacancies on the board between elections, as long as the people chosen are qualified to be board members.

**If No Election is Held:** If, for whatever reason, an election is not held at an AGM as it should be, the organization's current directors remain in their positions until a general meeting is called and elections can be held. This ensures that even if the AGM does not happen, the organization is not left without a board.

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**Selecting a President:** Once a board is elected, the board itself elects a president from among the members of the board. If it wants to, the board can appoint other officers (e.g. treasurer, secretary, etc.).

**Picking a Board Executive Committee:** An executive committee can be formed in organizations that have at least seven members board members. Executive committees are not necessarily exclusively comprised of Board members in executive positions like the President and the Treasurer, but are made up of people who are delegated by the Board to make decisions that a Board typically makes. This can include members of the staff.

A by-law authorizing the creation of an executive committee must be passed by at least 2/3<sup>rds</sup> of the membership at a SGM in order for one to exist. The rules for choosing an executive committee have to be laid out in the by-laws, along with the specifics of the committee's decision-making power. The powers of the executive committee can be changed by amending the by-laws. It is also possible for the organization to be able to create other committees, so long as the process on how to do so is laid out in the by-laws. However, it is not possible for the Board to delegate its responsibilities to these committees. The committees are only able to bring information to the Board, help the Board with its work, or execute the decisions that the Board has made.

**Eligibility to Sit as a Board Member:** It is important to know that because board members are legally responsible for the organization, people under the age of 18, people with certain intellectual disabilities, and people who are bankrupt are not able to become board members.

However, people under the age of 18 and people with intellectual disabilities can be board members if the organization's mandate directly concerns them. There are also many other things we can do beyond board involvement to ensure that the people represented in the mandate have a major say in the work we do.

An organization's by-laws must state who is able to run for election (if there are requirements), and who is considered a member of the organization. Community groups can require that a person be a member of an organization in order to sit on its board. It is important to consult your organization's by-laws to know who is eligible to run for election.

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3680 Jeanne-Mance, #470 Montreal (QC) H2X 2K5 ph: (514) 849-5599 or (866) 552-2626 fax: (514) 849-5553 or (866) 560-2626  
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**Reserved Seats on Boards:** It is also possible for the by-laws to reserve seats on the board for particular members. For example:

*Sally's Soup Kitchen could state in its by-laws that at least two members of the board must be people who use their services, or Volunteers for Social Change could require board members to be active volunteers at a community organization.*

**Number of Board Members:** The number of board members elected at an AGM can't change from year to year. In fact, the number of board members has to be written in the letters patent (the organization's incorporation document), and the board of directors must be composed of at least three directors. To change the number of board members at our organization, we must modify our letters patent, which requires the support of 2/3rds of the membership at a special general meeting called for that purpose (see *What is a Special General Meeting (SGM)?* on p. 23 for more details). We can't change the number of board members in an organization by simply modifying the by-laws: we must change the letters patent. It is a good idea to have an odd number of board members to ensure that voting does not end up in a tie if majority voting is used to make decisions.

**Removing Board Members:** Once a person is elected to a board of directors, he or she can only be removed from the board if the power to do so is stated explicitly in the letters patent (the organization's incorporation document) (see *What is a Special General Meeting (SGM)?* on p. 24 for more details).

However,

*If you are federally incorporated*

### **Length of Term:**

Under the old law, board members can have a term of up to five years. Under the new law (NFP Act), a board member's term that may not exceed four years. This makes it possible for there to be overlap of board members between elections, allowing for those with more experience to introduce new board members to how the board works.

**PUBLISHED JUNE 2010, UPDATED 2012**

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**Limitation on Reelection:** Unless it is explicitly stated in the by-laws, board members can be reelected for as long as they have the support of the membership.

**Voting Method:** The way that voting happens at an AGM has to be stated clearly in the by-laws.

**If No Election is Held:** If, for whatever reason, an election is not held at an AGM as it should be, the organization's current directors remain in their positions until a general meeting is called and elections can be held. This ensures that even if the AGM does not happen, the organization is not left without a board.

**Removing Board Members:** The rules on how to remove a board member have to be outlined in the by-laws.

**Eligibility to Sit as a Board Member:** Board members must be at least 18 years of age be at least 18 years old. Under the new law, eligible board members must also not have been declared incapable by a court in Canada or in another country; be an individual (i.e., a corporation cannot be a director); and not be in bankrupt status.

An organization's by-laws should state who is able to run for election, and who is considered a member of the organization. Although the Act does not require a director to be a member of the corporation, it allows the by-laws to provide otherwise. In the case of a soliciting corporation, the Act provides that at least two directors must not be officers or employees of the corporation or its affiliates. Check out your organization's by-laws to see who is eligible to run in board elections. An organization's by-laws should state who is able to run for election, and who is considered a member of the organization.

**Reserved Seats on Boards:** It is also possible for the by-laws to reserve seats on the board for particular members. For example:

*Sally's Soup Kitchen* could state in its by-laws that at least two members of the board must be people who use their services, or *Volunteers for Social Change* could require board members to be active volunteers at a community organization.

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**Number of Board Members/ Directors Under the New Act:** An organization must specify in its articles either a fixed number of board members, or a fixed range (maximum and minimum number of board members). In the case of an organization that has a minimum and maximum number of directors, the number may be established by ordinary resolution of the members, or the members may delegate this power to the directors. All “non-soliciting” corporations/non-profits must have at least one board member, and “soliciting” corporations/non-profits must have a minimum of three (two must not be officers or employees of the corporation or its affiliates).

For more on the rules of the new **Canada Not-for-profit Corporations Act (NFP Act)** concerning board members/ directors, see:

### **Corporations Canada: Board of Directors**

<http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs05004.html>

## **Financial Statements**

Every incorporated non-profit must present financial information to its membership at the AGM. In this section we highlight the different elements of this financial information, and make distinctions between terms that can sometimes be confusing. It is important to note that not all organizations need an audit. In some cases, a financial report or notice to reader is all that is required.

Some organizations have an outside auditor examine their finances once a year. However, as an auditor only looks at what we have done once a year, it is important to have people working on bookkeeping within the organization so that the finances examined by the auditor are in order. The auditor has to supply a report to the membership based on the financial activities of the organization, and bring any irregular accounting practices to the attention of the membership.

## **What’s the Difference between an Audit, a Financial Review, and a Notice to Reader?**

Audits and financial reviews are both evaluations of an organization’s finances by an external accountant. An audit is more thorough, but also can be more time-consuming and can be a

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burden for small organizations. A financial review is often used by many organizations to effectively report on the finances when an audit is not necessary. A notice to reader is simply a compiling of financial information by an accountant without verification. A notice to reader does not test to see if there have been departures from generally accepted accounting principles in the organization's finances.

It is important to remember that if we are required by law or by a funder to perform an audit, a financial review or a notice to reader does not meet this requirement. However, for organizations with charitable status, it is helpful to know that the Canada Revenue Agency does not require an audit.

For many groups that are provincially incorporated, whether or not you need to do an audit, a financial review or a notice to reader is usually determined by the members through what is written in the by-laws. Unless the organization's by-laws or funders require an audit, a financial review or notice to reader is typically sufficient.

### **Audits, Financial Reviews and Notices to Reader in Detail**

An **audit** is designed so that an accountant can tell an organization whether the financial statements fairly represent the result of operations and cash flows of the organization. Operations and cash flow are used to determine the extent to which the money coming into and out of the organization matches from the reported level of operating income or net income. *Operations* are the ongoing, repetitive activities associated with running an organization. *Cash flow* is the amount of money that comes into and out of an organization for a given period of time.

An audit will also tell us whether our books are done according to Canadian generally accepted accounting principles. These principles include 1) documenting, recording and summarizing all financial transactions, 2) using accrual accounting which recognizes income and expenses when they are incurred, 3) using double entry bookkeeping, 4) having a chart of accounts, 5) producing a statement of activities, 6) having a consistent bookkeeping system and 7) highlighting an expense that is paid in advance at the year-end and record it as an asset.

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The tests an accountant does in an audit can give us reasonable assurance that there are no significant problems with the books. It also assesses the accounting principles the organization uses internally, and gives an evaluation of the overall presentation of the financial statement.

A **financial review** is a more basic financial analysis of information supplied by the organization to the accountant. It does not test internal accounting procedures, but provides an overall evaluation of the finances based on what the organization supplies. Many community organizations use financial reviews to present financial information to the membership.

A **notice to reader** involves an accountant compiling the information supplied by the organization. It does not test internal accounting procedures nor does it evaluate the finances in any way. The accountant typically writes a balance sheet for the organization and the statements of loss and deficit and cash flow for the fiscal year. A notice to reader can be used to present financial information to the membership.

### ***When do we have to have an audit?***

***•If we are provincially or federally funded and one of our funders requires an audit (this typically happens once an organization receives \$100,000 or more from one government agency, be it provincial or federal).***

***•If the by-laws require us to have an audit.***

***• Federally incorporated organizations that have not yet transitioned to the new NFP Act, and are therefore still governed under the old Act, still have to do an annual audit.***

***•If we are federally incorporated, the rules concerning audits have changed under the New NFP Act, and depend on your organization:***

*There are four categories of organizations under the new law. 1. If we receive more than \$250,000 in funding, and at least \$10,000 of that money comes from the government, we must have an audit. 2. Under the new law an audit is discretionary for federally incorporated organizations with between \$50,000 and \$250,000 in funding that receive at least \$10,000 in public money per year. 3. An audit is not required for*

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*organizations with a budget lower than \$50,000 unless the by-laws state otherwise. 4. Federally incorporated organizations that receive less than \$10,000 in public money per fiscal year can have an operating budget of up to \$1,000,000 without having an audit mandated by the federal government.*

**For more information see:**

<http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs05010.html>

**Or contact Corporations Canada**

Toll-Free: 1-866-333-5556

[http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs03925.html](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs03925.html)

For more information on healthy financial practices, see our COCo infosheet:

***Generally Accepted Accounting Principles for Non-Profits***

<http://coco-net.org/en/node/341>

### **What Financial Information Should We Present at the AGM?**

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#### *Presenting financial information at AGM if you are provincially incorporated*

**Balance Sheet:** The board has to present certain information to the membership at the AGM. This includes a balance sheet that shows the organization's assets and liabilities for up to not more than 4 months before the meeting. For groups that are incorporated in Quebec but whose work is based in other countries, the balance sheet can be for assets and liabilities for up to six months before the meeting. However, for an organization to move from the typical four months to six months, it must adopt a resolution at an AGM.

For example:

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If the *Montreal Ecoharvesters* work only in Quebec and have an AGM in June 2010, its board has to show the membership a balance sheet no earlier than February 2010.

The *Mont-Royal Hay Balers Safety Centre* are a group incorporated in Quebec but have a mandate of promoting the use of hay bales to prevent tobogganing injuries around the world. Their work is currently based in Norway, but their head office is in Montreal. Their AGM is in July 2010, and they only have to provide a balance sheet that starts no earlier than January 2010.

**Statement of Income and Expenses:** The board also has to provide a general statement of revenue and expenses for the financial year that ended closest to the date of the balance sheet (this is typically the most recent financial year-end report). For example:

If the *Montreal Ecoharvester's* AGM is in June of 2010 and its financial year-end is March 31, *Ecoharvester's* board should submit the year-end report from March 31, 2010 to the membership at the AGM.

**Report from the Auditor (if required by a funder or the by-laws):** The board has to provide a report from the auditor, if an audit or financial review is required. The board also has to provide any other relevant financial information.

It is a good idea to hold an AGM in a reasonable time following the financial year-end so as to give the membership the most up-to-date financial information as possible.

### *Presenting financial information at AGM if you are federally incorporated*

**Transparent Financial Information:** The current board has to present financial information about the organization at the AGM. The board is responsible for ensuring that the membership is provided with thorough and transparent financial information. It is important to note changes to how the books are kept (i.e. switching from weekly to bi-weekly pay periods) in the financial statement. We can also include explanations for expenses by adding a note to the financial

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statement, and explain what this may mean for the organization’s finances (e.g. Is there a surplus or a deficit?).

**Balance Sheet:** Provide an up-to-date balance sheet of the organization’s finances.

**Annual Audit:** Although the new Act has changed the rules (see above), non-profits that are federally incorporated for now still have to do an annual audit. The board has to present this audit at the AGM. While it is a legal requirement, doing an audit can also be useful if your organization wants to show the membership more transparently where money is being allocated. This can be helpful for organizations that do a lot of direct fundraising.

### ***A note on changes to financial reporting under the new federal law (Canada Not-for-profit Corporations Act)***

Under the new law federally incorporated non-profits, organizations that receive less \$50,000 in public funding are not required to appoint an auditor. Groups are considered to receive “public funding” if they are public donors, governments or government agencies, and other groups that have received more than \$10,000 in the past financial year from other public donors or government. They are able to do a financial review at their discretion, though they may be required to do a review by a funder. It can also be a healthy practice to have an annual external review of the finances. Organizations with annual revenue between \$50,000 and \$250,000 will have the option of doing an audit or a financial review. Organizations with an annual revenue of \$250,000 or more must do an audit. Organizations will have to send their financial reports out to membership in advance of the AGM with the notice of the meeting.

Note that you are still governed by the old Act until you transition to the New Act. You have until October 17, 2014, to do so:

#### ***Corporations Canada: Transition Guide***

[https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs04954.html](https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04954.html)

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### Quorum

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Quorum is the minimum number of people who have to attend a meeting in order for the decisions made there to be valid. While we may sometimes dread that not enough people will come out to a meeting to make quorum, it is a structural means of deciding the minimum amount of participation that is needed for us to be able to make decisions together. While quorum establishes a bare minimum, high levels of member participation can be transformative for an organization and make the work that we do truly a community-owned effort. Having regular events or programs that encourage membership participation is a good (and often fun) way of ensuring that people come out to our AGM, and helps us not only make quorum, but build healthy lines of communication between the board, staff and membership.

#### *If you are provincially incorporated*

For AGMs, the number required for quorum should be written in the organization's by-laws. In Quebec the minimum necessary for an AGM is two people (as one person can't form an assembly). However, the legal minimum on quorum doesn't help us to develop healthy practices around member participation. Getting people to come out to an AGM is an important way of promoting transparency. It is also a great way of keeping people in the loop about the things that are going on in our community groups. Some funders see membership participation at AGMs as a requirement for funding.

#### *If you are federally incorporated*

Federally, quorum is laid out in an organization's by-laws, and can be modified by the board and ratified by the membership, depending on the rules created in the by-laws about how the existing by-laws can be modified. This means that there is no legal minimum for quorum in federally incorporated organizations. It may be helpful to think about how many people are members of your organization, and how many people tend to participate in your general meetings when determining quorum.

For ideas on thinking about membership and participation, check out the Community Toolbox:

#### ***The Community Toolbox***

#### ***Increasing Participation and Membership***

[http://ctb.ku.edu/en/dothework/tools\\_tk\\_content\\_page\\_231.htm](http://ctb.ku.edu/en/dothework/tools_tk_content_page_231.htm)

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## Minutes

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Minutes are a written summary of what happened during a meeting. Minutes are a good communication tool for people who were not able to attend a meeting. The minutes are a record of the things we all agreed to while we were gathered together to make decisions in a transparent and democratic way. Minutes do not need to be a word-for-word account of every element of the meeting: summarizing key points, ensuring that decisions are recorded, and taking note of who signed up to accomplish what task are all that we need to do. For more information on what minutes should look like, check out:

### ***Comité sectoriel de main-d'œuvre (CSMO)***

*Fiche 2 : La structure juridique des OBNL et la gouvernance démocratique in Boîte à outils : La gouvernance démocratique*

[http://www.csmoesac.qc.ca/uploads/documents/menu\\_sections/boite\\_a\\_outils.pdf](http://www.csmoesac.qc.ca/uploads/documents/menu_sections/boite_a_outils.pdf) at p. 131

### *If you are provincially incorporated*

Decisions made at AGMs must be noted in the minutes, along with the names of any newly elected board members. The chair of the meeting, the president of the board or the secretary of the board must certify the minutes of the AGM. The minutes of the AGM will have to be approved at the beginning of the next year's AGM, so keep a copy.

### *If you are federally incorporated*

Minutes must be taken at every meeting, including the AGM. The decisions taken must be recorded, and the president of the board must sign the minutes. The minutes of the AGM will have to be approved at the beginning of the next year's AGM, so keep a copy.

## What is a Special General Meeting (SGM)?

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A SGM is a general meeting of the membership that can be called if there is an important issue that needs to be addressed by the membership at large. A SGM must be called in order for major changes to the structure, location and governance mechanisms of the organization to be made. In Quebec, some of the most common reasons for calling an SGM include changing the organization's head office (siège social) if the organization moves, or changing the number of

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board members fixed in the letters patent if we find that we need to add new seats to our board. For more details on how to make changes to the structures within our organizations efficiently and legally, see:

### **Comité sectoriel de main-d'œuvre (CSMO)**

*Fiche 2 : La structure juridique des OBNL et la gouvernance démocratique in Boîte à outils : La gouvernance démocratique at p. 117*

[http://www.csmoesac.qc.ca/uploads/documents/menu\\_sections/boite\\_a\\_outils.pdf](http://www.csmoesac.qc.ca/uploads/documents/menu_sections/boite_a_outils.pdf)

## **What are SGMs for? When Do We Call Them?**

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*If you are provincially incorporated*

**When Making Changes to the Constitution or By-laws:** In Quebec, AGMs and SGMs are the places where proposed constitutional or by-law changes prepared by the board of directors can be accepted or rejected by a vote of the members attending the a general meeting. If there is no AGM coming up, we can call a SGM to make changes happen more quickly. These changes must be approved by the majority of the assembly, unless the by-laws say otherwise. However, changes to the letters patent must be approved by a 2/3 vote at a general assembly.

The membership has the power to accept or reject the proposed changes by the board, but cannot modify what the board has presented to the membership. For more information, check out:

### **Guide (Martel, Paul)**

*Administrateurs de corporations sans but lucratif: Le guide de vos droits, devoirs et responsabilités (Éditions Wilson & Lafleur, Martel Ltée., Montréal, 2<sup>e</sup> édition, 2000), p. 14*

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**An SGM can be Called by the Board:** A board of directors can request an SGM at any time if they feel it is needed.

**An SGM can be Called by the Membership:** An SGM must also be called if it is requested by at least 10% of an organization's membership. This request must be made in writing to the organization's board of directors and must indicate the questions that will be raised during the meeting. The board then has 21 days to call the SGM, after which time the membership who requested the meeting have the possibility of calling it themselves. However, they have to call the meeting within three months of the date that the request for a SGM was submitted to the board. Like AGMs, notice of an SGM must be posted for 10 days before an SGM can be held. For more information, see:

### ***Province of Quebec***

*Votre Association – personne morale sans but lucratif  
Pour les Administrateurs et les membres des associations  
Assemblée extraordinaire des membres, p. 53.*

This book is available for purchase at COCo.

**A Board Member can only be De-seated at a SGM if the Letters Patent Allow it:** The question of whether a SGM can be used to remove a board member is often asked at COCo. Deseating an elected board member is very rare as the AGM is the site of democratic election of board members. Healthy practices require board members to be members in good standing. That means that a board member must comply with the guidelines for membership outlined in the by-laws.

For a SGM to be able to de-seat a board member before the end of his or her mandate, this power must be clearly stated in the organization's letters patent. Then a majority vote of those at the assembly is required to remove an individual from a board of directors. To read more on this, check out:

### ***Guide (Martel, Paul)***

*Administrateurs de corporations sans but lucratif: Le guide de vos droits, devoirs et responsabilités (Éditions Wilson & Lafleur, Martel Ltée., Montréal, 2<sup>e</sup> édition, 2000),  
Votre poste d'administrateur – quelques balises, p. 8*

#### **PUBLISHED JUNE 2010, UPDATED 2012**

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## COCO INFO-SHEET



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**The By-laws Have to State *how* to De-seat the Board Member:** The process of how to go about removing a board member at a SGM must be clearly stated in the by-laws. A board member must be given notice that he or she may be de-seated at the SGM, along with the reasons why this may happen. The board member has to be given a chance to speak at the SGM, although a written letter or recorded message can also be used. This would only happen in a very unusual situation, as typically board members are elected for the duration of their mandate.

At COCo, we believe that healthy communication is a key way to avoid the kind of situations that lead to people wanting to get rid of a board member. Being able to address problems as they arise in ways that are direct and accountable is an important part of a healthy organization.

Sometimes, though, conflicts do arise, and this is a normal part of working together towards social change. COCo provides support to organizations that are experiencing conflict and walks with organizations through a conflict resolution process.

### *If you are federally incorporated*

**A SGM can be Called by the Board:** The board of directors can call a SGM at any time if they feel it is necessary and in doing so should publicize the issues to be discussed at the meeting.

**An SGM is Not needed for Changes to the By-laws:** Changes to by-laws can be ratified or rejected at an AGM and do not require an SGM to do this. Changes that the board makes to the by-laws take effect immediately, but have to be voted on by the membership at the next AGM, or at a SGM if one is called before the AGM takes place. Then changes made to by-laws have to be accepted or rejected by a majority vote by the membership.

### **A Note on Changes to the Federal Law**

*Under the new law for federally incorporated non-profits, the membership will now be able to ratify, reject and amend by-laws that are proposed by the board at an AGM. A member can also submit a proposal to change or get rid of a current by-law or create a new one. However, the organization can refuse the proposal if it was not submitted far enough in advance. It can also refuse it if the member is trying to use the proposal to resolve a personal dispute, or if the proposal is not really related to the organization's mandate. The organization can reject a proposal if it was submitted before and was rejected for legitimate reasons, or if it is a*

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*proposal that would put people in danger.*

For example:

Jesse has been an active volunteer at *Sadie's Summer Camp* for five years. She has helped the organization grow and wants to propose a new by-law about volunteer training to promote water safety. As long as she submits it far enough ahead of the AGM, the board must bring her proposal to a vote of the membership at the AGM. However, if Jimmy, a new volunteer who has been fighting with the volunteer coordinator who is also his roommate, wants to bring a proposal that *Sadie's* get rid of its volunteer coordinator, he can't do so because he is trying to use the by-law to settle a personal dispute.

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