



# What Success Looks Like

ALBERTA PROVINCIAL COMMITTEE

OF THE AIR CADET LEAGUE OF CANADA

ANNUAL GENERAL MEETING OCTOBER 2017



# or How to Change and Prosper

ALBERTA PROVINCIAL COMMITTEE

OF THE AIR CADET LEAGUE OF CANADA

ANNUAL GENERAL MEETING OCTOBER 2017



## The Partnership

- Communication;
- Collaboration;
- Respect;
- Trust;
- Tolerance; and
- Teamwork.



# The Partnership



# Outline

- Positioning For Success (Elements For Success, Strategic Success Model, Strategic Planning Approach)
- Strategic Planning and Management Model
- Critical Success factors
- Next Steps
- Questions



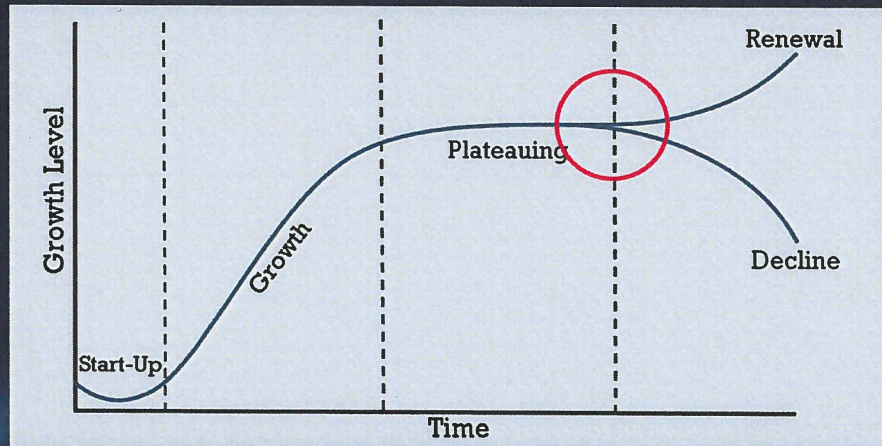


## Outline

- Positioning For Success (Elements For Success, Strategic Success Model, Strategic Planning Approach)
- Strategic Planning and Management Model
- Critical Success factors
- Next Steps
- Questions



## Revitalization - Organizational Life-Cycle



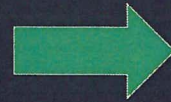
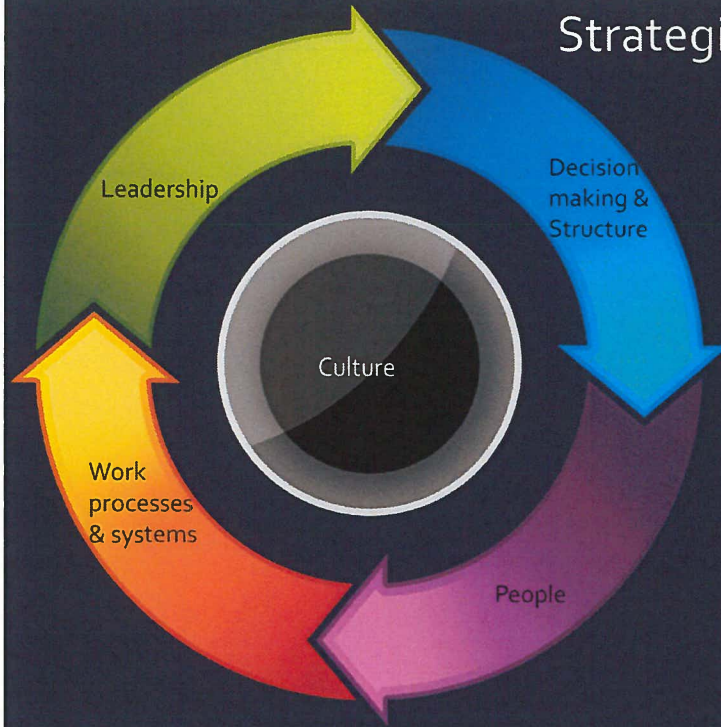
## Elements for Success

- Mission, Vision and Values
- Processes
- Goals
- Communications and Coordination
- Authority and Accountability
- Resources

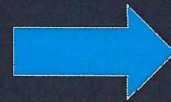




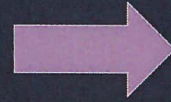
# Strategic Success Model



- Clear vision and priorities
- Cohesive leadership team



- Clear roles and accountabilities for decisions
- Organization structure that supports objectives



- Organization and individual talent necessary for success
- Performance measures aligned to objectives



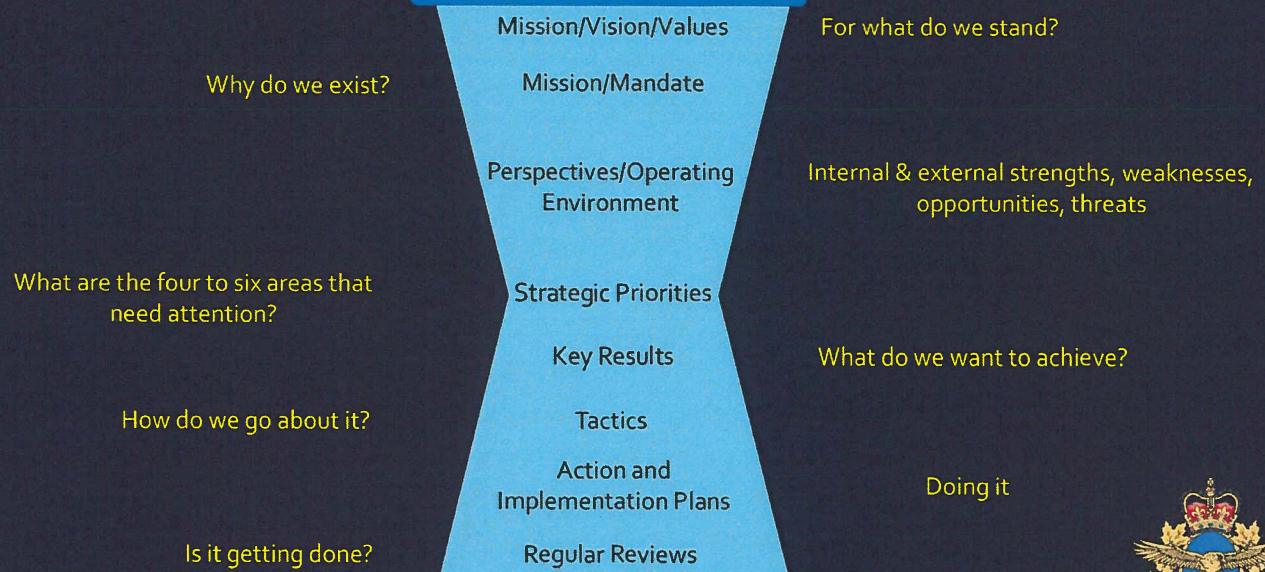
- Superior execution of programs and work processes
- Effective and efficient support processes and systems



- "High performance" values and behaviours
- Capacity to change



# Strategic Planning Approach



# Strategic Directions

## ➤ Main Focus Areas

- Governance – identify and implement an effective governance model/organization structure
- Support Services – Investing in people, programs and assets
- Recruiting – how to attract and retain – cadets, CIC, CI, volunteers
- Accommodation – advocate for adequate, sustainable, affordable space





## Strategic Directions Focus for this year

### ➤ Governance

- How to best support DND renewal and restructuring
- Bylaw alignment
- Letters of Affiliation
- Directors and sub-committees roles, responsibilities, terms of reference



## Strategic Directions Focus for next year

- Support Services
- Recruiting
- Accommodation



## Tactics

- Taming a wild idea is easier than breathing life into a dead one.
- Shared Vision and Shared Leadership.
- Leverage the capacity of the system and benefit everyone in the system.
- Stewardship.
- Partnerships.



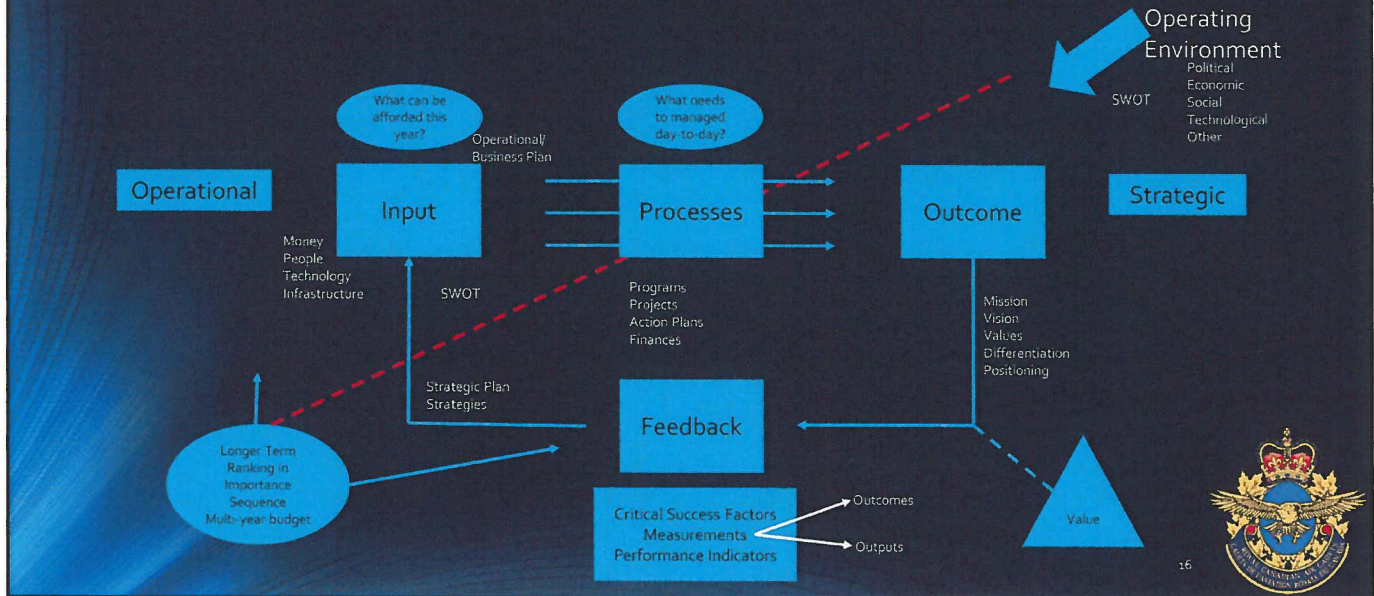


## Outline

- Positioning For Success (Elements For Success, Strategic Success Model, Strategic Planning Approach)
- Strategic Planning and Management Model
- Critical Success factors
- Next Steps
- Questions



# Strategic Planning and Management Model



"Air Cadets" is a national program that has a seventy-five year history of developing in youth, girls and boys, the attributes of leadership, involved and active citizenship and physical fitness, all within a safe environment that stimulates an interest in aeronautics. Cadets are not part of the military although the program is a partnership between the Canadian Forces and the Air Cadet League of Canada. Over one million Air Cadets have gone through the program since 1941.

The Air Cadet Program grew from the need to encourage an interest in aviation amongst the youth of Canada during World War II. It has developed into today's enjoyable, yet dynamic and challenging program which requires participants to meet certain standards and behaviour.

The program is administered through the Cadet Instructor Cadre of the Canadian Forces Reserves, with growing support from members of the Canadian Aerospace Industry. It is designed to stimulate the cadets' interest in aviation, allowing them to see the many and varied aviation career opportunities in both civilian and military life. Our program teaches our youth to accept and value personal and social responsibility and sets standards for their dress, appearance and behaviour to assist them in later life.

Critical Success factors (balanced scorecard)

Performance Indicators drive components of Performance management System

# Strategic Planning and Management Model

## ➤ Outcomes (Goals From Strategic Plan)

- Effective (relationship) connectivity with the National body and the local level Squadron;
- A safe, viable, and sustainable program for Air Cadets in Alberta;
- A collaborative network of military, league, communities and cadets who are aligned and connected;
- broad-based awareness of the program, the league's assets, and the importance of this program in Alberta





# Outline

- Positioning For Success (Elements For Success, Strategic Success Model, Strategic Planning Approach)
- Strategic Planning and Management Model
- Critical Success factors
- Next Steps
- Questions



## Critical Success Factors

- Linked to Strategic Goals
- Goals From the Strategic Plan
  - Effective (relationship) connectivity with the National body and the local level squadron;
  - A safe, viable, and sustainable program for Air Cadets in Alberta;
  - A collaborative network of military, league, communities and cadets who are aligned and connected;
  - broad-based awareness of the program, the league's assets, and the importance of this program in Alberta



19

## Critical Success Factors

- 7 Critical Success Factors
- Three main categories of our activities/operations:
  - Support to Squadron Sponsoring Committees (2);
  - APC supported or organized provincial level events/activities (Provincial Effective Speaking, Gliding, etc.) (4); and
  - National level compliance and alignment with National goals, objectives, policies and procedures (1).



### Critical Success Factors (7)

#### **Squadron Sponsoring Committee (2)**

SSC s are functioning effectively providing the level of support required to Squadrons. Community communications, marketing strategy and plans for public awareness of the program is in place and reviewed regularly;

#### **Alberta Provincial Committee (4)**

APC is financially sound, has stable predictable funding, has trained and informed members and a governance structure that is fit for purpose;  
Mechanisms, processes, policies and procedures are in place to provide services and support required by SSCs;  
A provincial communications, marketing strategy and plan public for awareness of the program is in place and reviewed regularly; and  
APC events are cost effective, efficiently and effectively organized.

#### **Air Cadet League of Canada (1)**

APC operations and activities are compliant and aligned with ACLC National goals, objectives, policies and procedures.



# Outline

- Elements For Success
- Strategic Success Model
- Strategic Planning and Management Model
- Critical Success Factors
- Next Steps
- Questions



21

## Next Steps (1/4)

- Determine processes for
  - Effective (relationship) connectivity with the National body and the local level squadron;
  - A safe, viable, and sustainable program for Air Cadets in Alberta;
  - A collaborative network of military, league, communities and cadets who are aligned and connected; and
  - broad-based awareness of the program, the league's assets, and the importance of this program in Alberta.



22

## Next Steps – CRA (1/12)

Strategic planning implications to the APC and SSCs

### CRA review of the ACL

- Not aware of half of the SSCs.
- Attempted to work with National
  - CRA initial approach combine all the SSCs into one corporation - would not work as all the SSCs have to be incorporated under the same legislation .
  - The SSCs are incorporated under the different provincial laws .
- The current CRA proposal is to combine all the SSC and APC Registered Charities in Canada into one Registered Charity.



CRA reviewed with National the ACL compliance with tax rules

Last year we delayed the strategic planning for APC to account for implications of any directions from national regarding CRA

### Quick Facts about the Non-profit Sector

- There are over 170,000 charitable and non-profit organizations in Canada. <sup>1</sup>
- 85,000 of these are registered charities (recognized by the CRA).

Source - [National Survey of Nonprofit and Voluntary Organizations](#) (Hall et al., 2004).

### Before CRA review -

- An SSC is among 1 in 85000 or 170000 – so odds of attracting CRA attention was pretty small.

### After discussions between CRA and National –

- CRA is aware of us and how we operate – each RCAC Sqn has a supporting SSC.
- CRA was not aware of half of the SSCs supporting the 454 squadrons across Canada – only the registered charities – not the NPO (non-profit organizations) – incorporated or unincorporated -as they have not been reporting to CRA.
- So as an NPO you are 1 in 220 or so – odds are not so good of avoiding CRA attention.



## Next Steps – CRA (2/12)

Strategic planning implications to the APC and SSCs

Why concerned?

- Impact on non-profits (NPs) – incorporated and unincorporated
  - Information return late filing penalties – Up to \$2,500 per year.
  - Additional administrative burden – preparing returns.
  - Cost increase to comply - hiring an accountant.
  - Difficulty recruiting board members.
  - Additional compliance concerns – CRA rules on NP expenditures particularly no direct or indirect benefits to members.



Why Concerned?

- Now on their radar – suggests review our relationship with CRA.
- Do the math – half of SSCs or about 20 sqns \* \$2500 = \$50000 plus interest - **\$\$\$**  
**not supporting cadets**
- Registered charities are already reporting but this applies to NPOs – incorporated or unincorporated.

Impact on NPOs – incorporated and unincorporated

Information return late filing penalties – Up to \$2,600 per year.

Additional administrative burden – preparing returns.

Cost increase to comply - hiring an accountant to prepare the additional returns.

Difficulty recruiting board members who have to do more returns – more government forms.

**Additional compliance concerns – CRA rules on NP expenditures particularly no direct or indirect benefits to members is just like they have rules on Registered Charities expenditures.**

ITA S 162(7) (a) or (b)

- 162 (7)** Every person (other than a registered charity) or partnership who fails  
**(a)** to file an information return as and when required by this Act or the

regulations, or

**(b)** to comply with a duty or obligation imposed by this Act or the regulations is liable in respect of each such failure, except where another provision of this Act (other than subsection 162(10) or 162(10.1) or 163(2.22)) sets out a penalty for the failure, to a penalty equal to the greater of \$100 and the product obtained when \$25 is multiplied by the number of days, not exceeding 100, during which the failure continues.

Marginal note: Late filing penalty — prescribed information returns

## Next Steps – CRA (3/12)

Strategic planning implications to the APC and SSCs

### Does the Income Tax Act Apply to SSCs

- Our SSCs are in the not for profit sector
- Short answer – YES
- Applies to incorporated and unincorporated SSCs



### Background

CRA looks at the world through the Income Tax Act (ITA) and Regulations. Its purpose is to see if there is income out there and determine whether or not it is taxable. To do that they must first determine if the person earning the income is subject to the ITA. In addition, it then also determines that even if the income is taxable the entity may be exempt from paying tax.

CRA is concerned that a for profit business would claim they are a 'not for profit' and try to avoid paying taxes. As you can imagine they have rules around this area.

### The first Question – Does the ITA (Income Tax Act ) apply to us? The Long answer -

- CRA starts with a broad capture – income tax shall be paid as required in the ITA on the taxable income of every person resident in Canada. ITA 2(1)
- Looking at each part of the sentence -
  - SSCs are resident in Canada
  - The taxable income of a taxpayer is the taxpayer's income adjusted as permitted by the ITA. ITA 2(2)
  - Income is not defined in the ITA. An ordinary meaning in the Concise Oxford Dictionary defines income as periodical receipts from one's business, lands, work, investments etc.
    - The SSC is a person whose donations, sales, interest etc. qualifies as its income.



- A taxpayer is defined as any person whether or not liable to pay tax. ITA 248
  - This applies to the SSC as the incorporated SSC is a legal person and its income may or may not be liable to tax (for example gifts do not create a tax liability)
- Unincorporated SSCs – essentially people hold funds for the benefit of the sqn – it is not their money – so they hold it as a Trust.
  - A trust has 3 parts – a trustee – the person who will control the funds; the funds are provided by the person who wants to support the cadets – a settlor; and the cadet sqn is a beneficiary when spending the funds. So an unincorporated SSC is a trust – and doesn't have to be written. A trust can be verbal or a trust can be implied by the courts. Trusts shall include a reference to the trustee having legal ownership or control over the trust property. ITA 104(1)
  - The trust, with respect to its property, is deemed to be an individual. ITA 104(2)
  - An individual means a person other than a corporation. ITA 248
  - A person is defined as any word or expression of a person, includes any corporation and any entity exempt from tax. ITA 248

The ITA applies to all SSCs – incorporated or not.

## Next Steps – CRA (4/12)

Strategic planning implications to the APC and SSCs

How does the ITA apply to an SSC?

➤ Determination – fall into one of three definitions

Non-profit Organization (NPO)

Charity

Registered Charity



### How does the ITA apply to an SSC?

- Lumps the SSC into the not for profit sector
- Which definition you are assigned to depends primarily on the SSC purposes.
- Applies whether the SSC is incorporated or not.

The ITA contains rules on how it applies to the charitable and not for profit sector, including whether or not the entity's income is taxable or not. If you are in the not for profit sector the ITA determines an SSC will fit into one of three definitions –

- Non-profit Organization
- Charity
  - Charitable Foundation (a corporation or trust)
  - Charitable Organization (an organization, whether or not incorporated)
- Registered Charity (a charity that is registered with CRA and can issue tax receipts)

## Next Steps – CRA (5/12)

Strategic planning implications to the APC and SSCs

Non-profit Organization - an association, club, or society (incorporated or not) that -

- (a) is not a charity
- (b) it is organized exclusively for the purposes of
  - social welfare,
  - civic improvement,
  - pleasure,
  - recreation, or
  - any other purpose except profit
- (c) it does not distribute or otherwise make available for the personal benefit of a member any of its income.



An NPO is an association, club, or society that – (Note - The terms association, club or society are broad enough to include a corporation.)

(a) is not a charity

(b) is organized exclusively for the purposes of

- social welfare,
- civic improvement,
- pleasure,
- recreation, or
- any other purpose except profit

(c) it does not distribute or otherwise make available for the personal benefit of a member any of its income. ITA 149(1)(l) (Note can be direct or indirect. This has implications for trips by the Sqn)

In general terms, the taxable income of an NPO is exempt from tax for a period throughout which the association complies with the above conditions.



## Next Steps – CRA (6/12)

Strategic planning implications to the APC and SSCs

Charity - means a charitable organization or charitable foundation

- (a) use their resources for charitable activities
- (b) it has one or more of the following charitable categories
  - the relief of poverty
  - the advancement of education
  - the advancement of religion
  - other purposes that benefit the community
- (c) no part of the income of which is payable to, or is otherwise available for, the personal benefit of any member, trustee or settlor thereof.



A Charity means a charitable organization or charitable foundation. They must use their resources for charitable activities and have charitable purposes that fall into one or more of the following charitable categories –

- the relief of poverty
- the advancement of education
- the advancement of religion
- other purposes that benefit the community

A Charitable foundation means –

- a corporation or trust that is constituted and operated exclusively for charitable purposes,
- no part of the income of which is payable to, or is otherwise available for, the personal benefit of any member, trustee or settlor, and
- that is not a charitable organization.

A Charitable Organization means (in part) –

- an organization, whether or not incorporated,
- all the resources of which are devoted to charitable activities carried on by the organization itself,
- no part of the income of which is payable to, or is otherwise available for, the personal benefit of any member, trustee or settlor thereof.

ITA 149.1 (1)

ITA 149.1 (1)

ITA 149.1 (1)

## Next Steps – CRA (7/12)

Strategic planning implications to the APC and SSCs

Registered Charity - a charity that applies to CRA to be approved for registration.

- be resident in Canada
- be established and operated for charitable purposes, and
- devote its resources (funds, personnel, and property) to charitable activities.
- CRA will no longer accept Registered Charity Applications from SSCs



### Registered Charity

A registered charity is a charity that applies to CRA to be approved for registration as a charity. Typically you apply for this at the same time as you apply to be a charity.

It must:

- be resident in Canada
- be established and operated for charitable purposes, and
- devote its resources (funds, personnel, and property) to charitable activities.

The term charitable is not defined in the ITA, so CRA considers common law (court decisions) to determine what is charitable at law.

As a result of the discussions with National and CRA – CRA will no longer accept registered charity applications from SSCs. This may change after CRA and ACL discussions are finalized.



## Next Steps – CRA (8/12)

Strategic planning implications to the APC and SSCs

Exemption of Taxable Income (incorporated or unincorporated)

- NPO – exempt under ITA 149 (1)(l).
  - Registered Charity – exempt under ITA 149 (1)(f).
  - Charity – is not tax exempt.
- 
- NOTE – when Registered Charity status lost or lapses you are a Charity not an NPO.



Why be concerned with which definition you are assigned?

It will determine if your NPO or charity is taxable or not.

If an SSC loses its Registered charity status or allows it to lapse it is a charity – NOT an NPO. - Remember a charity is taxable.

## Next Steps – CRA (9/12)

Strategic planning implications to the APC and SSCs

Reporting	NPO Incorporated	NPO Unincorporated
CRA corporate tax return – T2	YES	NO
Alberta corporate tax return – AT1	YES	NO
Annual changes to board of directors	YES	NO
NPO return T1044	MAYBE	MAYBE

NPO return T1044 (passive revenue > \$10,000 or assets > \$200,000; or required)



Note - An incorporated NPO has to file a corporate return regardless of its size, income or loss, or assets and even though an NPO is exempt from tax. The corporate return is considered an information return.

### NPO return – tests

However, the organization (SSC ) will only have to file an NPO information return if:

- it received or was entitled to receive taxable dividends, interest, rentals, or royalties totalling more than \$10,000 in the fiscal period; (Passive income)
- the total assets of the organization were more than \$200,000 at the end of the immediately preceding fiscal period (the amount of the organization's total assets is the book value of these assets calculated using generally accepted accounting principles); or
- it had to file an NPO information return for a previous Fiscal period.

Source – NPO Guide T4117

Note – CRA may require the NPO to file a T1044 regardless of the tests.



## Next Steps – CRA (10/12)

Strategic planning implications to the APC and SSCs

Reporting	Registered Charity	Charity Incorporated	Charity Unincorporated
CRA corporate tax return – T2	NO	YES	NO
Alberta corporate tax return – AT1	NO	YES	NO
Annual changes to board of directors	YES (on T3010)	YES	NO
Registered Charity return T3010	YES	NO	NO
Trust return T3	NO	NO	YES



If a registered charity has its registration revoked or lapsed for not filing – it is considered a charity and has to file corporate returns or trust returns (if unincorporated) until it gets back onto the registered charity list. It will have to file the corporate returns for the period it was not a registered charity.



## Next Steps – CRA (11/12)

Strategic planning implications to the APC and SSCs

### NPO (Unincorporated) Issues

- Minimal reporting
- Still subject to CRA rules and audit
- Could request filing of an NPO return
- Could determine not an NPO but a charity – removes tax exempt status - and file as a Trust
- Trusts are taxed at highest personal rate on income not spent during year



33

- While the unincorporated NPO has minimal reporting it is still subject to CRA rules – particularly where the members should not receive a direct or indirect benefit (care should be placed regarding trips).
- CRA could still require the NPO to file a NPO return even if the tests aren't met.
- My worst nightmare – although unlikely – but I will share it anyway – is CRA determines the unincorporated SSC is a charity (since you are not registered charity) rather than an NPO which means you are not tax exempt – your income could be taxable – likely as a trust.

## Next Steps – CRA (12/12)

Strategic planning implications to the APC and SSCs

### Options

- Do nothing – CRA may eventually get around to you.
- Each SSC comply individually as best they can.
- Voluntarily work with CRA
  - APC works with all SSCs who are NPOs to comply with CRA rules and filing to avoid penalties and interest.
- Meanwhile – examining restructuring the APC and SSCs to minimize the reporting burden and compliance risks in some way.



Next steps – where do we go from here – some options

1. Do nothing – CRA may get around to your SSC eventually and you can deal with it as best you can then. Kicking the can to a future SSC board.
2. Each SSC comply on their own – some may avoid penalties but others may not – may not have the knowledge to know what to do.
3. Work with our lawyers to make a voluntary disclosure on behalf of all SSCs that are NPOs and wish to work with us- to avoid filing penalties and interest charges. CRA is pretty much aware there is no taxable income to obtain or lose through issuing more Registered Charities. Provides time to restructure the APC and SSCs.
4. Longer term – to examine ways to reduce the administrative burden and risks of non-compliance. Maybe APC operates like the legion –SSCs who want to can be branches of the APC. Need to allow you to operate pretty much as they do now .
5. Benefit – all SSCs that don't have a Business Number should be able to register for it and get their LSA paid directly to them rather than go through the APC again.



## Next Steps (2/4)

- As Governance was determined to be the top priority because of the need for an effective structure and governance model in order to align the rest of our roles and responsibilities.
- A draft organizational chart for discussion will be circulated just prior to the meeting. The goal is to have a restructured APC ready for presentation and discussion at the AGM





## Next Steps (3/4)

- Once the structure is agreed to then the work can commence on the remaining Strategic Priorities (Support Services, Recruiting, and Accommodation) as well roles and responsibilities including any amendments to governing documents that will be required.
- **Notional target is to have the amendments presented passed at the 2018 AGM.**



36

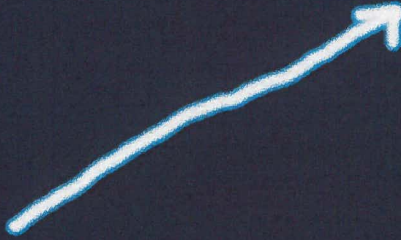
## Next Steps (4/4)

- We can then look at our activities and critical success factors to determine what strategies will work and what the associated performance indicators are. **Notional target is to have the processes in place and amendments to documents presented and passed at the 2019 AGM.**
- We then can start annual business planning. **Notional target is to have the first business plan for budget year 2019 - 2020.**



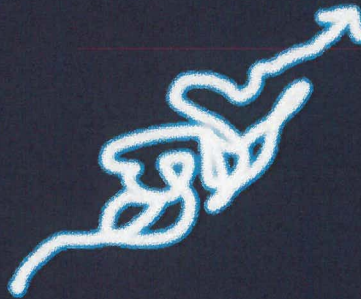
37

Success



What people  
think it looks like

Success



What it really  
looks like







# Thank You!



## Outline

- Positioning For Success (Elements For Success, Strategic Success Model, Strategic Planning Approach)
- Strategic Planning and Management Model
- Critical Success factors
- Next Steps
- Questions







# Questions