



**Not-For-
Profit
Handbook**

*"A provincial and
federal guide"*

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- Starting a Small Business
- Writing a Business Plan
- The Funding Handbook
- Greater Sudbury Statistics Handbook



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Social Enterprise vs. Non-Profit vs. Charity

Type of Organization	Advantages	Disadvantages
Social Enterprise <i>Combining for-profit operations and philanthropic non-profit goals, sustaining itself without relying on grants and donations.</i>	<ul style="list-style-type: none"> • Can operate with any legal structure • Owner can determine how revenue is shared with philanthropic causes • None of the regulations that apply to non-profits and charities • No specific definition for what a social enterprise involves 	<ul style="list-style-type: none"> • Cannot issue official donation receipts for income tax purposes • Not exempt from paying income tax
Non-Profit <i>Organization that is not conducting its activities primarily to make a profit, operating exclusively for any purpose except profit.</i>	<ul style="list-style-type: none"> • Legal entity if incorporated (you must incorporate to obtain legal non-profit status) • Possible tax advantages • Does not have a spending requirement • Can operate as an unincorporated association: a group of people who have decided to do things together for a purpose or goal other than profit – option for those who do not wish to register a business or incorporate (i.e. volunteer organizations) 	<ul style="list-style-type: none"> • More complex record keeping and tax returns • Must follow rules indicated in Not-for-Profit Corporations Act • Cannot issue official donation receipts for income tax purposes • may claim a partial rebate of GST/HST paid on eligible purchases • May have to file a T2 return (if incorporated) or an information return (Form T1044) or both within six months of its fiscal year-end
Charity <i>Charitable organization, public foundation, or private foundation registered with the Canada Revenue Agency.</i>	<ul style="list-style-type: none"> • Tax advantages (to issue official donation receipts and not have to pay income tax, you have to apply to be a registered charity. If you are not registered, you do not qualify for these advantages) • Designation by the CRA as a charitable organization, a public foundation, or a private foundation • Exempt from paying income tax 	<ul style="list-style-type: none"> • Must apply to the CRA and be approved for registration as a charity • Must use resources for charitable activities and have charitable purposes, and spend a minimum amount on its own charitable activities • is designated by the CRA as a charitable organization, a public foundation, or a private foundation • Cannot use its income to personally benefit its members

Definition of a Not-For-Profit Organization

A group, institution, or corporation formed for the purpose of providing goods and services under a policy where no individual (e.g., stockholder, trustee) will share in any profits or losses of the organization. Profit is *not* the primary goal of nonprofit entities. Profit may develop, however, under a different name (e.g., surplus, increase in fund balance). Assets are typically provided by sources that do not expect repayment or economic return. Usually, there are restrictions on resources obtained. Examples of nonprofit organizations are governments, charities, universities, religious institutions, and some hospitals. Most nonprofit organizations have been granted exemption from federal taxes by the Internal Revenue Service. Many of these organizations refer to themselves according to the IRS Code section under which they receive exempt status (i.e., 502(c)(3) organization). This identification lets donors know that their contributions to this organization may be deductible for income tax purposes.

For example, a not-for-profit theatre club may hold a bake sale to raise money, which would then be used to buy costumes for the club.

Choosing a Legal Structure

Legal Professional Services

As there are a number of legal issues involved in selecting a legal structure for a not-for-profit organization, it may be important to contact a lawyer. The Law Society of Upper Canada offers a Lawyer Referral Service. For a nominal fee, one can receive a referral to a lawyer, and a free legal consultation of up to a half hour.

For further information:

Please call 1-800-668-7380

Visit the website: Law Society of Upper Canada

Link: www.lsuc.on.ca/

See the Document: Protecting Your Interests > Legal Issues for Small Business

Link: www.canadabusiness.ca/eng/guide/page/2547/2277/

Possible Structures for a Not-For-Profit Organization

Not-for-profit groups can organize in a variety of methods. It is important to contact legal professional services when deciding on the structure most suited to the organizations' planned activities.

Generally, the three main methods of creating a not-for-profit organization include:

1. Provincial Incorporation
2. Federal Incorporation
3. Establishing a Co-operative

It is possible for a not-for-profit organization to operate under a name without any form of registration. Such an organization may, however, have difficulty entering a number of common business transactions including banking services, signing leases and entering into other types of contracts. There is also a greater liability risk for a member if unincorporated. Questions regarding this type of not-for-profit structure and any legal documentation that may be required when creating this type of organization should be addressed to legal counsel.

Incorporating a Not-For-Profit Incorporation

A not-for-profit organization can be incorporated at either the federal or provincial level. There must be a fixed number of directors, not fewer than 3, and each director must be at least 18 years of age.

Ontario Not-For-Profit Incorporation

Under the *Ontario Corporations Act* (CA), individuals who wish to incorporate a not-for-profit corporation at the Ontario level must submit a number of documents to the Companies and Personal Property Security Branch of the Ministry of Government Services (MGS).

Many not-for-profit organizations incorporate to:

- Operate under a formal structure
- Qualify for funding
- Apply for charitable licenses
- Hold title to land
- Limit the personal liability of their members

To incorporate your Ontario not-for-profit organization, mail the following items to the Companies and Personal Property Security Branch:

- Application for Incorporation of a Corporation without Share Capital, Form 2
- NUANS name search report
- Fee that ranges from \$155.00 to \$255.00 depending on the processing time
- Cover letter that includes your business' contact information

For further information:

Please call 1-800-361-3223

Ontario Reporting Requirements

Within 60 days of incorporation, one is required to file an Initial Return with the Corporate Notices Section of the Ministry of Government Services (MGS) setting out the prescribed corporate information (e.g. head office address, directors and five most senior officers) with the Companies and Personal Property Security Branch.

For further information:

Please call 1-800-361-3223

Visit the website: Reporting Requirements

Link: <https://www.ontario.ca/page/form-initial-return-notice-change-making-changes-corporate-information>

Federal Not-For-Profit Incorporation

Federal incorporation affords corporations heightened name protection, second only to trademark protection. This means they can carry out their activities across Canada under their name. Not-for-profit organizations are incorporated at the federal level under the *Canada Corporations Act - Part II*. This includes both charitable corporations and membership corporations, such as social, professional or fraternal organizations.

Canada Corporations Act Part II – Fees

The following is the fee schedule used by Corporations Canada for applications or requests under the *Canada Corporations Act*. The fees are set by section 56 and Schedule 2 of the *Canada Corporations Regulations*.

Application or request for:

A) Letters Patent	\$200.00
B) Supplementary Letters Patent	\$50.00
C) General By-law amendment	No fee
D) Surrender of charter and dissolution	No fee
E) Name search by Corporations Canada	\$15.00 per search
F) Submission of annual summary	\$30.00
G) Uncertified copies of documents	\$1.00 per document if in excess of 9 documents
H) Certified copy of a document	\$10.00
I) Certificate of corporate status	\$10.00
J) Letters Patent of Continuance Under Part II for a corporation created by a Special Act of Parliament	\$200.00
K) Registration of mortgages or charges under subsection 68(6)	\$10.00

<https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs07889.html>

For further information:

Please call 1-800-333-5556

See the Document: Policies, Guidelines and Procedures

Link: <https://corporationscanada.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs06649.html>

See the Document: General Overview of the *Canada Corporations Act* Part II

Link: <https://laws-lois.justice.gc.ca/eng/acts/c-44/>

See the Document: Legislation and Other Related Documents

Link: www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs02150.html

Annual Summary

Once incorporated, a not-for-profit corporation must file an Annual Summary, along with the \$30 filing fee, with Corporations Canada. It must be filed between March 31st and June 1st of each year, containing information regarding the corporation as of March 31st in the same year. A blank Annual Summary form can be obtained from Corporations Canada's website. Failure to file for two consecutive years can result in the dissolution of the corporation (section 133 of the CCA).

Failure to submit the \$30 filing fee will result in a notation being placed on Corporations Canada's website indicating that the Annual Summary for the particular year was filed without the fee. Corporations Canada will also forward a Notice of Default to you stating that until you pay the filing fee, the corporation has not fulfilled its obligation. Failure to file and/or to pay the filing fee for two consecutive years can result in the dissolution of the corporation (section 133 of the CCA).

For further information:

Please call 1-800-333-5556

Primer for Directors of Not-for-Profit Corporations (Rights, Duties and Practices)

Industry Canada has prepared a handbook for directors and officers of not-for-profit corporations to explain duties, rights and liabilities.

For further information:

See the Document: Primer for Directors of Not-for-Profit Corporations (Rights,
Duties and Practices)

Link: www.ic.gc.ca/eic/site/cilp-pdci.nsf/eng/h_cl00688.html

Co-operatives

A co-operative is owned by an association of persons seeking to satisfy common needs (access to products or services, sale of their products or services, employment, etc.).

This association includes one or more kinds of users or stakeholders in the enterprise, such as:

consumers who use the enterprise to acquire products or services (such as a retail housing, health-care or day-care co-operative); producers (such as independent entrepreneurs, artisans or farmers) who use the enterprise to process and market the goods or services they have produced, or to buy products or services necessary to their professional activities; or workers who use the enterprise to secure their employment and control their working conditions.

Co-operatives operate democratically (one person, one vote) through two bodies: general meetings of the members or delegates, and the board of directors, at least two-thirds of whom are members elected at a general meeting. The delegate structure may reflect the size of the organization or the distance covered by the co-operative and include more than one delegate for each organization or territory represented.

The co-operative's start-up capital usually comes from co-operative shares purchased by members. Federal co-operatives, however, can raise capital by issuing investment shares to members or non-members.

For further information:

See the document: Co-operatives Info-Guide

Link: https://www.ic.gc.ca/eic/site/106.nsf/eng/h_00073.html

Charitable Status

Canadians may receive tax relief for contributing to organizations that have charitable status. Generally, organizations with the primary purpose of benefiting the community as a whole (for example, the relief of poverty, advancement of religious instruction for the public good, advancement of education, animal welfare, etc.) may apply for charitable status.

The Charities Directorate of the Canada Revenue Agency (CRA) is responsible for charities under the *Income Tax Act*. It reviews applications for charitable registration, processes charities annual financial returns, provides technical advice to registered charities and the public, and monitors charities to ensure ongoing compliance with the law.

The Canada Revenue Agency (CRA) registers qualifying organizations as charities, gives technical advice on operating a charity and handles audit and compliance activities.

Registered charities are required to file an annual return with the CRA, a portion of which is available to the public, and must meet certain requirements of the *Income Tax Act* concerning their expenditures and activities.

More than 80,000 registered charities operate in Canada, in areas such as welfare, health, education and religion.

For further information:

Please call CRA at 1-800-267-2384

Visit the website: Charities Directorate

Link: www.cra-arc.gc.ca/charities/

Funding

While the options listed below do not cover all possible sources, they may assist in searching for possible funding:

The Trillium Foundation

This foundation, an agency of the Ontario Ministry of Culture, distributes funding for selected community-based initiatives and selected province-wide initiatives. Funding is allocated in four sectors; Arts and culture, Environment, Sports and Recreation and Human and Social Services.

For further information:

Please call 1-800-263-2887

Visit the website: Ontario Trillium Foundation

Link: www.trilliumfoundation.org

Canada Foundation for Innovation

The Canada Foundation for Innovation (CFI) is an independent corporation created in 1997 by the Government of Canada to fund research infrastructure. The CFI's mandate is to strengthen the ability of Canadian universities, colleges, research hospitals, and other non-profit institutions to carry out world-class research and technology development that will benefit Canadians.

For further information:

Please call 613-947-6496

Visit the website: Canada Foundation for Innovation

Link: www.innovation.ca

Northern Ontario Development Fund

FedNor's Northern Ontario Economic Development Fund (NOEDF) is intended to strengthen Northern Ontario communities by supporting projects that address local needs and priorities and result in long term benefits including job creation, economic diversification, and enhanced business competitiveness.

For further information:

Please call 1-877-333-6673

Visit the website: FedNor

Link: www.ic.gc.ca/eic/site/fednor-fednor.nsf/eng/home

See the document: Northern Ontario Development Program

Link: www.ic.gc.ca/eic/site/fednor-fednor.nsf/eng/h_fn02348.html

Museums Assistance Program

The Museums Assistance Program (MAP) provides financial assistance to Canadian museums and related institutions. Assistance is for museum activities that support the objectives of Canada's museum policy. The program is delivered by the regional offices of the Department of Canadian Heritage.

For further information:

Please call 819-997-7982

Visit the website: FedNor

Link: www.ic.gc.ca/eic/site/fednor-fednor.nsf/eng/home

See the document: Museums Assistance Program

Link: www.pch.gc.ca/pgm/pam-map/index-eng.cfm

Moving on Sustainable Transportation Program - MOST

Transport Canada established the Moving On Sustainable Transportation (MOST) program to improve education and awareness of sustainable transportation in Canada. MOST is a five-year, \$2.5 million contribution program designed to stimulate the development of innovative tools, approaches and practices for sustainable transportation.

For further information:

Please call 613-998-6607

Visit the website: Moving On Sustainable Transportation

Link: www.tc.gc.ca/programs/environment/MOST/menu.htm

Canada's Computers for School Program

This program is responsible for channeling surplus computers and software into classrooms and public libraries across Canada.

For further information:

Visit the website: Computers for Schools

Link: www.ic.gc.ca/eic/site/cfs-ope.nsf/eng/home

Municipal Governments

The city or town in which the not-for-profit organization will be based may provide funding for projects through locally administered programs.

For further information:

Please call the appropriate municipal government.

For a list of municipal government websites, visit the *Municipalities in Ontario* website

Link: <https://www.ontario.ca/page/list-ontario-municipalities>

Foundation Directories and Other Publications

Some privately-published directories of organizations and foundations that donate to not-for-profit organizations are often available through local libraries and Regional Access Program offices.

Other Not-for-profit Agencies

Other not-for-profit agencies that have similar goals may provide funding in some instances. A number of not-for-profit agencies can be found by locating various directories in local libraries and Regional Access Program offices (to locate an office close to you, please refer to the *Regional Access Program Locations page*). A directory of not-for-profit organizations can also be found on the Charity Village website, www.charityvillage.com.

Taxation

In this section, you will find information and links to a variety of tax-related topics of interest to those involved in the not-for-profit sector.

Non-profit Organization - NPO - Information Return

As required by subsection 149(12) of the *Income Tax Act*, a Not-for-Profit Organization may have to file an Information Return. Once an organization has filed this information return, it has to keep filing, for as long as it remains an NPO, regardless of the dollar value of its revenues or the book value of its assets.

For further information:

Please call 1-800-959-5525

Visit the website: T1044 Non-Profit Organization (NPO) Information Return

Link: <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1044.html>

Other Resources

Canadian Co-operative Association

Charity Village - Canada's supersite for the nonprofit sector

Need more information?

Click: Canada-Ontario Business Service Centre

Call: 1-888-576-4444

Visit: visit our Regional Access Program Locations page to locate an office near you

Some of the organizations listed above are not subject to the federal *Official Languages Act* or the *French Language Services Act* of Ontario. Their services may not be available in both official languages.

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