

NOT FOR PROFITS

About Not-For-Profits:



The **purpose** of any Not-For-Profit organization, whether **incorporated or not**, must be the **common good** of its members or the attainment of its objectives and **not** for the financial well-being of its members.

- Generally dedicated to activities that improve or benefit a community
- May generate revenue, but only if the revenue goes back into the organization to further its aims and objectives

There are **several types** of Not-For-Profit organizations such as:

- ✓ Professional or community organizations
- ✓ Sports or athletic clubs
- ✓ Charities
- ✓ Service clubs
- ✓ Social clubs



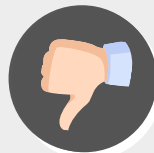
Not-for-profits may operate as **informal associations** or may choose to **incorporate**.

- If the organization is not incorporated it is not a separate legal entity from its members.
*members of the unincorporated organization can be held legally accountable and personally liable for the activities.



Advantages and disadvantages of informal associations:

- Informal associations (not incorporated) do not have to pay incorporation fees*



- Can't hold property in the organizations name
 - Unable to sue, be sued or or enter into contracts as an organization
 - Difficult to obtain insurance
 - Difficult to open bank accounts



*Although an informal association does not have to pay costs associated with incorporating they do still have some responsibilities including holding any funds given to the organization in a trust account.



Charitable organizations:

- Although **some** Not-For-Profits are registered as **charities**, charitable status is **not automatically** obtained when you set up a Not-For-Profit.
- Charitable status allows the organization to issue official **donation receipts** for **income tax purposes**.
- Charities are subject to many **more regulations** and restrictions than Not-For-Profits.



*In order to **register as a charity**, the organizations objectives must meet specific criteria in addition to meeting the requirements to incorporate as a Not-For-Profit.

Registering a Not-For-Profit:



A Not-For-Profit that is incorporated is **registered** with either the **provincial** or **federal** government. This requires:

- ✓ Filing required documentation
- ✓ Paying fees to a branch of the provincial or federal government

Organizations incorporate if they **anticipate** having:

- ✓ Regular revenue flow
- ✓ Employees
- ✓ Office space
- ✓ Vehicles
- ✓ Plan to operate over a period of time
- ✓ And/or the organization is able to provide the most benefit to the public with minimum risk for the members

Acts and requirements:



Once registered, Not-For-Profits must:

- ✓ Establish a Letters Patent
- ✓ Establish By-laws
- ✓ Establish a Board of Directors
- ✓ Meet the filing requirements under the Income Tax Act
- ✓ Abide by the Ontario Not for Profits Corporations Act (ONCA)
*if incorporated in Ontario
- ✓ Abide by any other CRA requirements

Resources:

1. "Not-for-Profit Incorporator's Handbook"
[PDF file, gov.on.ca](https://www.gov.on.ca)*
2. "Creating a not-for-profit corporation"
[web resource, canada.ca](https://www.webresourcecanada.ca)*



Setting up a NFP requires planning, knowledge of governance, compliance and detailed record keeping. We recommend seeking legal counsel.