**Non-Profit Start Up: Process & Resources**

Introduction

Not-for-profit corporations are organizations that provide products or services without making profit. They are generally dedicated to activities that improve or benefit a community. A not-for-profit may generate revenue, but only if the revenue goes back into the organization to further its aims and projects. For example, a social club may hold an art sale or craft fair in order to raise money for the services it provides to the community. The money made by a not-for-profit is not for the personal gain of its directors, members or officers.

There are several kinds of not-for-profit organizations such as:

* Professional or community organizations
* Sport or athletic
* Social clubs
* Service clubs (for example Kiwanis or Lions)
* Charities

This guide provides information on not-for-profit corporations. To set up an informal not-for-profit, you may wish to speak with a lawyer. The Law Society of Upper Canada's lawyer referral service may be able to assist you in finding a lawyer, based on your needs.

Use online: [Law Society of Upper Canada's lawyer referral service](http://www.lsuc.on.ca/faq.aspx?id=2147486372&langtype=1033)

If you are interested in information on setting up a co-operative, please refer to our [cooperatives guide](http://www.cbo-eco.ca/en/index.cfm/starting/getting-started/starting-a-co-operative/).

Non-Profits: Where to Start

Ask yourself the following questions:

* Do you have a clear understanding of the problem or need you want to address? Is that need ongoing or short-term?
* Are there other similar organizations currently operating that already address this need? If so, will you be competing with these groups for funds, resources, or clients?
* Do other individuals agree that such an organization is needed? Are they willing to volunteer their time and energy to help get things started?
* Will you be able to locate the resources and finances necessary to achieve your mission?
* Do you understand the rules, regulations, and requirements of running a non-profit organization or charity in your region?

Once you've decided to go ahead with your organization, there are a few initial steps that should be taken.

Assemble a group of like-mined individuals who believe in the cause and are willing to dedicate themselves to its initial undertaking. These founding members will likely form the organization's first board of directors. Under provincial legislation by which non-profit societies are registered, a board of directors is a legal requirement. It is also required by the federal government if you plan to apply for charitable status.

Discuss and clarify the issues or needs that the organization will address and what your next steps will be.

Agree upon and write a mission statement to describe what your group aims to achieve.

Choose a name for the organization and figure out important logistics, such as where the organization will be housed, how it will be financed, what role each person will play, and what their responsibilities will be.

Decide whether to incorporate your organization, become a registered charity, or both.

Incorporation

You can incorporate your organization either provincially or federally and the process is much the same as it is for incorporating a company. It is relatively straight forward, and can be handled by a competent solicitor with some experience in this area. Without incorporating or registering, your organization will not be legally recognized as a non-profit, nor will your group's name be protected against use by other legal entities.

### Federal incorporation

For information on creating a federal not-for-profit corporation, you can contact Corporations Canada or refer to their website.

Read online: [Creating a not-for-profit corporation](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04970.html)

To set up a federal not-for-profit corporation, you can file online or submit the following documents to Corporations Canada.

* [Articles of Incorporation- Form 4001](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04977.html)
* [Initial Registered Office Address and First Board of Directors – Form 4002](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04978.html)
* A Canada-wide [NUANS](https://www.nuans.com/rts-str/en/home-accueil_en.cgi) name search report that is not older than 90 days
* The filing fee

Contact Corporations Canada: **1-866-333-5556**

You can also learn more about the specific rules for operating a federal not-for-profit corporation on the Corporations Canada website.

Read online: [Operating a federal not-for-profit corporation](https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs03925.html)

### Provincial incorporation

If you would like more information about the requirements for setting up and operating a provincial not-for-profit corporation in Ontario, refer to the not-for-profit incorporator's handbook.

Read online: [Not-for-profit incorporator's handbook](http://www.attorneygeneral.jus.gov.on.ca/english/family/pgt/nfpinc/)

To set up a provincial not-for-profit corporation, you will need to submit the following documents (hard copy) to the Ministry of Government and Consumer Services:

* [Application for Incorporation of a Corporation without Share Capital - Form 2](http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?openform&ENV=WWE&NO=007-07109) completed in duplicate with original signatures on both copies
* Ontario-biased [NUANS](http://www.nuans.com/houses-maisons/nm_form-forme_mn_en.cgi) Name Search Report
* Fee of $155 (standard service – processing time 6-8 weeks) or a fee of $255 (expedited service – processing time 7 business days)
* Supporting documents, if required
* Covering letter giving a contact name, return address and telephone number

Contact the Ministry of Government and Consumer Services: **1-800-361-3223**

There are new rules governing the incorporation and operation of Ontario not-for-profits. Find out how your not-for-profit corporation may be affected by the new laws.

Read online: [Modernizing the not-for-profit sector](http://www.sse.gov.on.ca/mcs/en/Pages/Not_For_Profit.aspx)

Below are links to government web pages that deal specifically with non-profit incorporation.

[**Canada**](http://www.cra-arc.gc.ca/E/pub/tp/it496r/it496r-e.html)

[**Not-for-Profit Corporations Act**](http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Parl=40&Ses=2&Mode=1&Pub=Bill&Doc=C-4_4&File=32)

[**Income Tax Guide to the Non-Profit Organization (NPO) Information Return**](http://www.cra-arc.gc.ca/E/pub/tg/t4117/README.html)

[**T1044 Non-Profit Organization (NPO) Information Return**](http://www.cra-arc.gc.ca/E/pbg/tf/t1044/README.html)

[**Ontario**](http://www.attorneygeneral.jus.gov.on.ca/english/family/pgt/nfpinc/)

## Managing the books

Once you’ve incorporated your not-for-profit, you will have ongoing responsibilities that are specific to not-for-profit corporations, including:

* Maintaining records and making them available to directors
* Proper filing and income reporting
* Making sure that any changes to the structure of the corporation conform to the articles of incorporation

### **Federal**

You can find out more about the financial record-keeping and reporting obligations of a federal not-for-profit from Corporations Canada.

Contact Corporations Canada: **1-866-333-5556**
[Financial Statements and review](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs05010.html)

### **Provincial**

You can find out more about the financial record-keeping and reporting obligations of a provincial not-for-profit from the Ministry of the Attorney General website.

Read online: [Corporate maintenance and filing requirements](http://www.attorneygeneral.jus.gov.on.ca/english/family/pgt/nfpinc/Not_for_Profit_Incorporators_Handbook_EN.html#_Toc435533072)

Charitable Status

The Canada Revenue Agency (CRA) -- formerly Revenue Canada -- is the government department responsible for granting organizations charitable tax status. The process routinely takes 6 months to 18 months and requires applicants to fulfill a number of requirements. One of the major advantages of obtaining charitable status, is that the organization is able to issue receipts to donors for income tax purposes. This can be a major advantage when soliciting for donations. In addition, charities receive certain tax exemptions. Not to be overlooked however, is the fact that registered charities are subject to a number of regulations and restrictions. One such restriction is the limitation on a charity's ability to advocate for a specific cause. Currently, groups with charitable tax status can only use 10% of their budget for advocacy. As well, charities are required to file an income tax return at least every two years and these files are available to the public, along with other official documents pertaining to the organization.

Below are relevant links to the CRA web site:

[**Canada Revenue Agency**](http://www.ccra-adrc.gc.ca/)(formerly Canada Customs and Revenue Canada)

[**Application to register a charity under the Income Tax Act**](http://www.cra-arc.gc.ca/E/pbg/tf/t2050/README.html)

[**Charities Division Contact Information**](http://www.cra-arc.gc.ca/chrts-gvng/chrts/cntct/cntct-eng.html)

[**Policy**](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/menu-eng.html)

[**Forms**](http://www.cra-arc.gc.ca/chrts-gvng/chrts/formspubs/menu-eng.html)

[**Newsletters**](http://www.cra-arc.gc.ca/esrvc-srvce/mllst/sbscrbchrts-eng.html)

[**List of Canadian Registered Charities**](http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html)

Canada Revenue Agency now makes the following information publicly available about registered charities:

* a charity's governing documents (i.e., the letters patent, articles of incorporation, trust deed, constitution);
* the application form (completed by a charity when it sought registration or re-registration);
* the notification of registration or re-registration (a letter sent by the Department to notify a charity of its registered status);
* the letter the Department sends to a charity that has been de-registered, explaining the reasons for
* the Department's action; and
* the names of the persons who are or have been directors/trustees of the charity, and the periods during which they served as directors/trustees.

To request public information on charities, call 1-800-267-2384 for toll free long distance calls.

Taxation

If you sell goods and services in Ontario and make $50 000 or more within any 12 month period, you must register for a business number to charge, collect and remit the Harmonized Sales Tax (HST).

Read online: [HST for businesses, charities, and public service bodies](http://www.cra-arc.gc.ca/E/pub/gp/rc4082/README.html)

As a not-for-profit organization, you are generally exempt from paying income tax but may be required to file a [T1044 - Non-Profit Organization (NPO) Information Return](http://www.cra-arc.gc.ca/E/pbg/tf/t1044/README.html) with the Canada Revenue Agency (CRA). The information return is filed annually and, depending on your organization’s activities, you may also need to file additional forms. Speak with CRA for more information.

Contact CRA: **1-800-959-5525**

Funding

Canada Business can help you find government financing options for your business. There are programs that apply to businesses across Canada, and others that apply only to businesses in Ontario. Use the Canada Business financing search tool or browse by type of financing.

Search online: [Canada Business: Government grants and financing](http://canadabusiness.ca/grants-and-financing/government-grants-and-financing/)

The following financing program also applies specifically to not-for-profit organizations.

### **The Trillium Foundation**

The Trillium Foundation offers a variety of funding programs in support of organizations that give back to the community. Charitable or not-for-profit businesses are eligible for funding.

Contact the Trillium Foundation: **1-800-263-2887**
[Ontario Trillium Foundation](http://www.trilliumfoundation.org/)

Additional Resources

[**Sector Source: To be a charity or not?**](http://sectorsource.ca/managing-organization/charity-tax-tools/be-charity-or-not) Published by Imagine Canada as part of their Sector Source website, this site has excellent and comprehensive information on what it means to be a charity in Canada, and why other forms of registration and incorporation may be more suitable for your organization.

[**Imagine Canada**](http://nonprofitscan.imaginecanada.ca/en/tir_establish_charity) This site has an extensive listing of resources for anyone considering starting their own non-profit organization.

[**Charity Central**](http://www.charitycentral.ca/) This site provides information on not-for-profit, non-profit, and charity management; liability; directors, volunteers, and employees; fundraising law; and tax law.

[**Not-for-Profit Incorporator's Handbook**](http://www.attorneygeneral.jus.gov.on.ca/english/family/pgt/nfpinc/) Prepared jointly by the Companies Branch of the Ministry of Consumer and Commercial Relations and the Office of the Public Guardian and Trustee for Ontario, Charitable Property Division, this guide walks you through the steps of incorporating a non-profit corporation in the province of Ontario. Although it's specific to Ontario, many of the same procedures apply across the country.

[**Canada Business Network: Start and Grow a Social Enterprise**](http://canadabusiness.ca/starting/start-and-grow-a-social-enterprise/)As a person in charge of a non-profit organization, are you thinking about starting or operating a business with the aim of furthering your mission or generating income to support your sustainability? This page will help direct you to information that could help you manage and grow. There are links to general business information that applies to any entrepreneur, small or medium business, or social enterprise. Within these lists you’ll also find programs and services that are specific to organizations like yours.