



Why incorporate as a non-profit organization or charity?

Why should you create a non-profit organization?

An organization, whether for-profit or not-for-profit, benefits in a number of ways from formally structuring its affairs and activities. A basic legal framework supports and underpins the organization's vision, mission and mandate thus making authenticity, permanency, accountability and funding a greater potential reality. In many cases, this legal framework also enables a not-for-profit organization to apply for charitable status.

Why incorporate?

Incorporation in Alberta means:

Limited Liability – Incorporation of an organization provides some protection for members from various debts and obligations for which the organization may be responsible.

Permanency – The incorporated body exists as long as the organization files the required documents with the appropriate government registry(ies).

Structure – Incorporation creates structures for the affairs and activities of the organization. This is particularly helpful to an organization whose membership is constantly changing.

Identity – Many businesses and lending institutions are more comfortable dealing with an incorporated body.

Funding – Many funding agencies and governments require that organizations be incorporated before any grants, financial assistance or licenses are given out.

Why not incorporate?

There may be no need to incorporate if a similar organization already exists that meets the same purpose. The cost, time and effort to develop bylaws, articulate objects, clear a name, file an application, comply with statutory reporting and filing requirements, form a board and operate the organization may be more than the members of your group are interested in. In addition, funders do not support duplication of services and, in certain instances, are now requiring organizations that are alike to collaborate and, at times, merge.

To determine if an organization with the same or similar objects already exists, check the 'Directory of Community Services' published by The Support Network (phone 780-482-0198) and available for review in Edmonton at the Resource Centre for Voluntary Organizations (RCVO) library. You can also check Yellow Pages under the heading 'Charitable & Non-Profit Organization Guide'. The RCVO can be contacted by phone: (780) 497-5616, toll free 1-888-897-5616, or fax (780) 497-5634.

Options for incorporating

- Societies Act
- Alberta Companies Act (Non-Profit Company)
- Canada Corporations Act

Note: These and other less used options are outlined in the Board Development Book, *Drafting and Revising Bylaws for Not-for-profit Organizations in Alberta: A Guidebook*.

Why should we create a charity?

One of the most recognized benefits of registering your organization as a charity with Canada Revenue Agency is that, frequently, gifts to your organization can be receipted for income tax purposes. Yet, this is only one of many benefits to holding charitable status. As a registered charity your organization qualifies to apply for and receive consideration for funding from those individuals, organizations, corporations and foundations that support charitable work in the community. In addition, a quick search by anyone on the CRA website at <http://www.cra-arc.gc.ca/tax/charities> (click on-line listings) provides essential information on your organization, including:

- Correct name
- Contact address
- Charitable Registration number
- T3010, the annual financial return required by CRA

While you may ask why this is important, the credibility, integrity and accountability that are demonstrated by a registered charity through holding this status and reporting on an annual basis provide a significant boost to donor and funder confidence.

From an operational and business stand-point, being registered as a charity confirms certain business and governance protocols. The information requested on the annual T3010 form requires tracking and tabulating of accounts on a regular basis as well as the annual updating of board lists, contacts and organizational plans. This accounting and reporting is an important discipline for any organization and has benefits both for internal and external success and accountability.

Being registered as a charity also means that your organization meets the criteria of relief of poverty and/or the advancement of religion and/or the advancement of education and/or other purposes beneficial to the community which the courts have decided are charitable. In addition, a charity must meet the public benefit test to demonstrate that its activities and purposes provide a tangible benefit to the public; those people who are eligible for benefits are either the public as a whole or a significant part of the public as a whole and that the activities of the organization are legal and are not contrary to public policy.

So, why create a non-profit or charity?

Credibility, accountability, integrity and good operational structures and governance are the answers along with the fact that your organization fulfills a unique role in the not-for-profit charitable sectors.

Resources

Drafting and Revising Bylaws for Not-for-profit Organizations in Alberta: A Guidebook (2003).
Edmonton, AB: The Muttart Foundation and Alberta Community Development.

Useful websites:

- www.rcvo.org (click Useful Info)
- www3.gov.ab.ca/gs/ (click the Charities option on the menu)
- www.cd.gov.ab.ca/building_communities/volunteercommunity/programs/bdp/services/resources/workbooks (click Drafting and Revising Bylaws book)

Acknowledgement

This article was written by Dree Thomson-Diamond, CFRE; 2006

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The information in this material is written generally and may not exactly fit the needs of your organization. It is meant to be a starting point for you to deal with some of the issues which face many not-for-profit organizations.

The College is not liable if you use any of the contents of this material. Make sure you have the benefit of professional advice which relates directly to your organization.