

Non-Profit Societies in British Columbia

Definition: A society is a nonprofit organization. Nonprofit organizations are defined as those institutions that assist the government by providing services to its citizens. The concept of a nonprofit is very broad and includes a diverse set of organizations. Being a nonprofit does not preclude an organization from making a profit, but these profits must be used to further the purpose of the organization...it is this that is the essential difference between nonprofit organizations and their for-profit counterparts. According to Salamon and Anheier (1996) nonprofit organizations have five things in common:

- They are formally constituted
- They are organized separately from government
- They are non-profit seeking
- They are self-governing
- They are voluntary to some significant degree

Are there different types of nonprofit societies?

Nonprofit societies vary depending on their legal status. An **incorporated nonprofit** organization is established as a legal entity. It may hold assets, borrow money, incur legal liability and limit the personal liability of its directors. Incorporated nonprofits in Canada are exempt from income tax. Nonprofit and public sector organizations may be incorporated under one or more of the following:

- Federal or provincial corporations legislation
- Nonprofit corporations or societies acts
- Federal or provincial cooperative legislation
- Special purposes legislation such as that establishing hospitals, universities, school boards, federal, provincial agencies or corporations

Subject to certain criteria, a nonprofit may also be a **registered charity** which authorizes it to issue tax receipts for charitable donations, permitting donors to deduct all or a portion of contributions from personal or corporate income tax. In Canada, there are two charity classifications: a charitable organization with a primary function to carry on activities in pursuit of a particular charitable purpose; and a charitable foundation with a primary function to fundraise for an organization (foundations can be private or public).

Societies are not required by law to incorporate.

Many nonprofits operate without going through the legal incorporation process, which can be expensive and time-consuming and is often unnecessary if the organization does not have a large budget, does not want to issue tax receipts for donations or has no need to account for expenditure of public revenues. These are known as **unincorporated associations**.

Nonprofit organizations take many forms and have been collectively referred to in many ways:

- Nonprofits
- Not-for-profit
- Non-governmental organizations
- Voluntary sector
- The "third sector"
- Philanthropic sector
- Voluntary agencies
- Independent sector
- Social sector
- Charitable sector
- Collective organizations
- Non market organizations
- Associations

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According to the 2003 National Survey of Nonprofit and Voluntary Organizations (NSNVO), there are approximately 20,000 nonprofit societies in British Columbia, which account for about 13% of the 161,000 nonprofit and voluntary organizations in Canada. Collectively, they have total revenues of \$11 billion and a total paid staff of 147,000 (\$9 billion annual revenue and 114,000 staff when hospitals, universities and colleges are excluded).

Starting a Nonprofit Organization Checklist

- ✓ *Clarify idea or concept*
- ✓ *Inspire others to get involved*
- ✓ *Complete market research to ensure there is a need for your concept or idea*
- ✓ *Learn the rules, regulations, and requirements to running a nonprofit organization*
- ✓ *Agree to a name and check name availability*
- ✓ *Assemble a board of directors*
- ✓ *Decide on board governance model*
- ✓ *Decide on legal status – incorporation and charitable status*
- ✓ *Create a mission, vision and value statements*
- ✓ *Create a strategic plan to make the dream a reality*

How do I start a nonprofit organization?

The nonprofit sector is often referred to as the expressive dimension since those involved in it believe in the cause their organization represents. Founders of nonprofits believe they have a worthwhile concept of how to serve the common good and want to see their vision become a reality. Most nonprofits begin as a dream. The first stage of creating a nonprofit organization begins with answering the question: Can this dream be realized?

Steps to starting a nonprofit

Once you have clarified your concept and inspired others to get involved you can begin to assemble your first board of directors. The board of directors will make decisions on the following:

- Organization name – if you plan to incorporate you will want to ensure the proposed name of your society is available. Name approval request forms can be found at <http://www.fin.gov.bc.ca/registries/corppg/crsocieties.htm> - the filing fee is \$30.00
- Constitution and Bylaws – whether or not you plan to incorporate, creating a constitution and bylaws is highly recommended. If you anticipate incorporating these are mandatory. The link for name request also includes examples of constitutions and bylaws as well as a how to guide – the fee for incorporation is \$100.00
- Charitable status – if you plan on issuing tax receipts for donations you will need to first incorporate your society and then register as a charitable organization – <http://www.cra-arc.gc.ca/E/pbg/tf/t2050/>
- Choose a governance model – see Board Governance Fact Sheet
- Agree to meeting frequency, date, and times
- Establish a vision, mission, values, terms of reference and create a strategic plan including budgeting, staff requirements and sources of funding

The 5 Life Stages of Nonprofit Organizations (2004), written by Judith Sharken Simon with Terence Donovan, provides simple and easy to follow guidelines to starting and building your nonprofit organization (book in centre library and available for loan). In the book, start up is referred to as the 'imagine and inspire' phase. Often characterized by enthusiasm, energy and creativity, this stage can last up to two years. Activities during this stage vary but for the most part include the following:

1. create a name for the concept and test it on different audiences
2. generate interest and enthusiasm for the concept or idea
3. verify the need and potential demand in the target market
4. create a concept paper or business plan

Creating a compelling vision will inspire others to get involved and this is critical to moving the dream forward to a working plan. Common obstacles during this stage include resistance to formalizing, lack of funding and lack of expertise.

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