

Creating a

NON-PROFIT Organization



CREATING A NOT-FOR-PROFIT ORGANIZATION

This guide has been prepared for the Canada/Manitoba Business Service Centre by Volunteer Manitoba to help you through the process of starting a not-for-profit organization. It will introduce you to the wide range of programs, services and regulations involved when creating and operating a not-for-profit organization.

You can get more information on each topic in this guide by contacting the organization directly or by contacting the Canada/Manitoba Business Service Centre at 204-984-2272 or 1-800-665-2019 or visiting our web site at www.canadabusiness.ca/manitoba

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1. INTRODUCTION

So you think you want to start a non-profit organization. What now? Where do you have to go? What do you have to do? Who are you going to call if you have questions along the way? The answers to these questions will depend in great part on WHY you are thinking about starting a non-profit and what kind of non-profit you are considering.

The information that follows is certainly not complete. It will likely not answer all of your questions. What it is meant to do is to give you basic knowledge about issues as they come up. Some of these issues you already thought of, but there will likely be many things that you did not know.

2. BACKGROUND

There are already close to 150,000 registered charities and not-for-profits currently operating in Canada and likely close to 9,000 in Manitoba alone. There is even a greater number of less formally organized, non-registered or “grassroots” organizations out there as well. Depending on what it is you want “your” not-for-profit to do, you may well find yourself “competing” with many of the thousands of organizations that already exist.

A not-for-profit organization’s key goal is to help other individuals, groups or causes rather than to make enough money to earn a profit. Although not-for-profit organizations can make money and earn a profit, this is used to help the organization reach it’s goal. Any profit that is earned is not used to increase the wealth of individual members of the organization. Making a profit for a not-for-profit comes after helping others.

Not-for-profit organizations generally fall into one of these general categories of activities:

BUSINESS & PROFESSIONAL ASSOCIATIONS

UNIONS

CULTURE & RECREATION

ENVIRONMENT

EDUCATION & RESEARCH

HEALTH

LAW, ADVOCACY & POLITICS

INTERNATIONAL ACTIVITIES

DEVELOPMENT & HOUSING

PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION

RELIGION

SOCIAL SERVICES

“You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement.

You are here to enrich the world, and you impoverish yourself if you forget the errand.”

Woodrow Wilson

3. TERMINOLOGY

Not-for-profit or non-profit is an organization created with the key goal of helping others, or providing a community service, or one of many other purposes. It is not created to make personal profit. It is not a business. It is formed for non-commercial purposes. Any profit that is made is used to further the goal or undertaking of the organization. Any money or profits that is made is used to meet the original goal of the organization. Any profits made must not be used by the individuals involved for their own personal financial gain.

Grassroots Not-for-profit is a not-for-profit that has not been incorporated. It is usually more informal than any incorporated not-for-profit. It is not necessary for a not-for-profit to incorporate. It is not necessary for it to note its name with the Companies Office.

Manitoba Incorporated Not-for-profit is an organization that has been incorporated as a non-share non-capital corporation in Manitoba. (Although it is also possible to incorporate federally, this booklet will only look at non-profits in Manitoba). It is not a charity, even if it exists for a charitable purpose. It cannot issue official charitable income tax receipts.

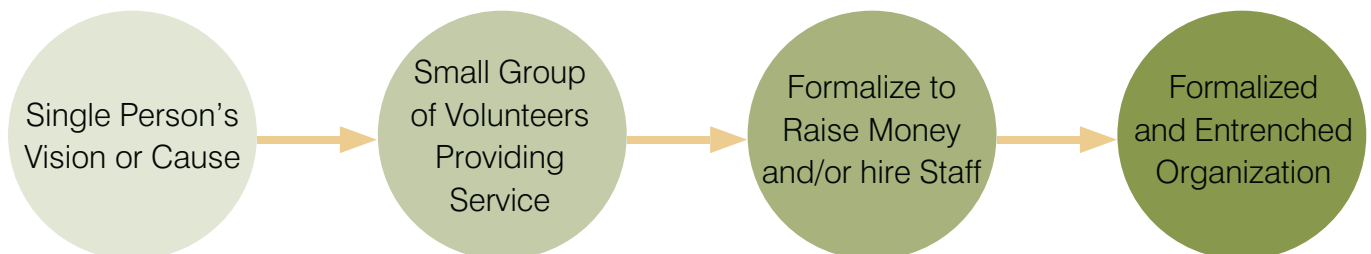
Canada Revenue Agency (CRA) Registered Charity is a not-for-profit that has applied for and been registered as having charitable status by the federal government by filing all the necessary and on-going paperwork required by the Canada Revenue Agency. These are the only organizations that can properly call themselves registered charities. Upon its acceptance, a registered charity is exempt from income tax and it can issue charitable donation receipts for tax purposes. Generally, it also has to disburse 80% of the funds for which it issued charitable donation receipts on its own charitable activities or as gifts to qualified donees.

Tax Exempt means that a CRA registered charity is exempt from paying income tax under the Income Tax Act; it does not exempt the organization from paying PST, GST, or other applicable taxes, although it may receive special considerations in that regard.

CRA Non-profit organization (NPO) is a federally registered not-for-profit organization that, according to the Canada Revenue Agency, is a club, society, or association that is both organized and operated solely for: social welfare, civic improvement, pleasure, recreation, or any other purpose except profit. Examples include an agricultural organization, a board of trade, a chamber of commerce, most residential condominium corporations. In order to be a NPO, an organization cannot be a charity.

4. STARTING A NOT-FOR-PROFIT

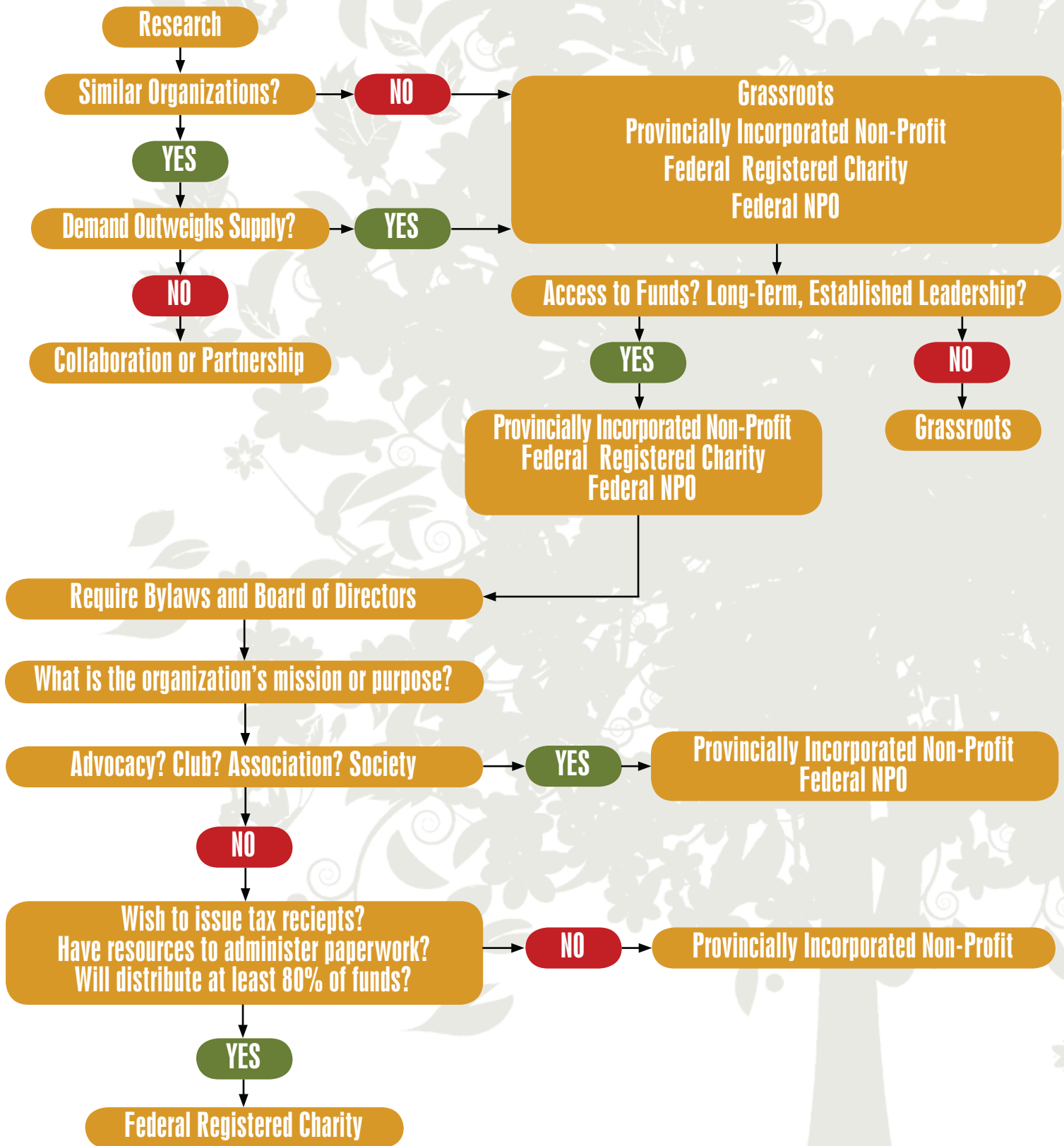
According to an international expert in volunteer management and not-for-profit organizations, not-for-profit organizations usually grow in this order.



The difference between a for-profit business and a not-for-profit organization is that the business will become formalized as quickly as possible in order to make revenue. The not-for-profit, on the other hand, can remain informal for much longer because the primary focus is to provide service or pursue a goal.

To help you decide when and if it is time for your not-for-profit organization to become more formalized you must think about several factors, many of which are outlined in the following diagram.

A Decision Tree



a) Research

Will your not-for-profit organization provide a service in your community that is not being provided at all today? Or, will your not-for-profit provide additional service to help meet needs in your community that are not being met by current organizations or government programs because “demand for services exceeds supply”?

To help you find out whether similar services already exist you should research the CONTACT Community Guide website:

<http://www.contactmb.org> which maintains a free, publicly available database of not-for-profits, registered charities, and government programs that it is aware of. You may also contact your local community foundation or United Way www.unitedwaywinnipeg.mb.ca for information. The list of charities registered with the CRA is available to the public.
www.cra-arc.gc.ca/tx/chrts/nln_lstngs/cnrg_ntrm-eng.html

Also, you should consider if the service or product your not-for-profit wants to provide can “compete” successfully with organizations that are already providing this service. You should determine if there are enough human and financial resources available to support your organization’s activities. Consider if your particular idea can be achieved by working with another already existing organization. It could be a formal or informal arrangement between your group and a municipal organization or another not-for-profit. Perhaps your idea could become a “new program” offered by an already existing not-for-profit.

b) Determine Your Mission or Purpose

If your main goal is to help collect money from the community for a special one-time event or crisis and then give the money to the person or an organization, often you don’t need to form a not-for-profit. The Municipal Recreation Department or Community Heritage Organization could assist. If your goal is only to be able to raise funds, consider raising your funds within your community for your particular cause and then providing them to your local community foundation or United Way for distribution.

Further, if your idea is to act purely as an advocate for a particular cause, you may not be able to register as a charity and thus not be able to issue tax receipts.

Will your organization act as a club, society, or association? See IT-496R re: Non-Profit Organizations

<http://www.cra-arc.gc.ca/E/pub/tp/it496r/README.html> . This sets out the conditions that a club, society or association must meet to qualify as a tax-exempt non-profit organization (NPO). Your organization would then not be able to register as a charity.

Incorporating and/or registering a non-profit is not a one-time event. It is only the beginning. There is a lot of paperwork needed to keep your registration current. This is important to think about if your idea is a “one-time” event, like a Homecoming, or a Centennial Celebration, or a summer concert among many other possible examples. Is the need you want met long-term and more permanent or is it more short-term in nature?

Before going to the time and expense of incorporating or registering, think about all of the other ways to meet your goal before you do create yet another not-for-profit.

In terms of timing, it is also a more lengthy process than you may be aware of to incorporate or apply for charitable status.

c) Incorporating Your Not-for-profit in Manitoba

What is incorporation?

The process of incorporation creates a distinct legal entity for the organization, separate and apart from those individuals who are involved with it, even those who started it.

Is it necessary to incorporate?

The simple answer is no. There are many advantages to doing so, but there are also costs to incorporate, and on-going registration requirements. The choice will depend on your particular circumstances.

What are the advantages of incorporation?

1. Limited Liability

As a *general rule, the individuals who are involved in the corporation are not normally responsible for the legal and financial obligations of the corporation. *See section 5. c) Board Obligations

2. Title to Property

The corporation can own property in its corporate name. If the membership of the corporation changes, the legal ownership of the property remains with the corporation.

3. Legal Action


The corporation can start a legal action under its corporate name, which is separate and apart from its members

4. Funding

Some federal, provincial or private funders require that an organization be incorporated.

5. Continued Existence

The corporation, once incorporated, continues to exist until it is formally dissolved. It does not depend on the continued involvement of any of its individual members (even founding members) or directors.



*Never doubt that a small group of
committed people can change the world.
Indeed, it is the only thing
that ever has.*

Margaret Mead

What are the disadvantages of incorporation?

- 1. It is more expensive to incorporate than not to.**
- 2. It is more complex to operate.**
- 3. It is more expensive to operate.**

Once incorporated, there is more of an administrative burden. In other words, there is more paperwork. For instance, an auditor may have to be appointed; annual returns must be filed as required by the Manitoba Finance Companies Office.

How to complete Articles of Incorporation:

1. There is a minimum of 3 directors required.
2. The undertaking must be either: agricultural, artistic, charitable, educational, fraternal, historical, literary, patriotic, philanthropic, professional, religious, scientific, social, sporting or athletic in nature.
3. The name of the corporation must end with a legal element, either the word Incorporated, Incorporee, Inc, Corporation, or Corp. The words Limited, Limitee, Ltd, or Ltee are prohibited in Manitoba.
4. The corporation must have its registered office in Manitoba. The registered office must be a physical address. This address is where the corporate records are kept (minute book) and where the corporation may be contacted. (mailing address – attach form)
5. A corporate seal is NOT required under The Corporations Act.
6. By-laws are NOT filed with the Companies Office. By-laws are the rules that govern the internal affairs of the corporation and may deal with amendments, directors, fiscal year, meetings, membership, record keeping, voting, among other things.
7. The by-laws and certain financial records of the corporation should be available for inspection by its members;
8. If a corporation desires to be exempt from paying taxes and be able to give tax-deductible receipts for donations, it must apply for charitable status. Incorporation at the Companies Office in Manitoba is not sufficient.

d) Canada Revenue Agency Non-Profit Organization (NPO)

A NPO, is an incorporated non-profit organization that, according to the Canada Revenue Agency, is a club, society, or association that is both organized and operated solely for: social welfare, civic improvement, pleasure, recreation, or any other purpose except profit.

These terms are not defined in The Income Tax Act, however, according to a published Interpretation Bulletin, the CRA has determined that they mean, in general terms, the following:

Social welfare that which provides assistance for disadvantaged groups or for the common good and general welfare of the people of the community;

Civic Improvement includes the enhancement in value or quality of community or civic life (for instance an association that works to advance a community by encouraging new industries, parks, museums, etc.);

Care must be taken to ensure that the purposes of the NPO are not those of a charity (may trigger 80% disbursement requirement)

Pleasure or recreation that which provides a state of gratification or a means of refreshment, or diversion and may include badminton clubs, curling clubs, golf clubs, social clubs, and so on, that are organized and operated to provide recreational facilities for the enjoyment of members and their families;

Any other purpose except profit is a catch-all for other associations that are organized & operated for other than commercial or financial reasons.

- A NPO cannot issue tax receipts for donations or membership fees contributed.
- A NPO is not required to disburse a specified percentage of its earnings.

Whether a NPO meets all of the requirements and qualifies as a tax-exempt NPO is a question of fact that can only be determined after the CRA reviews the purposes and activities of the association. There may be circumstances under which an otherwise tax-exempt NPO may be subject to tax on its property income in a particular year.

e) Canada Revenue Agency Registered Charity

An organization that wishes to become registered as a charity under the Income Tax Act must apply for registration to the Canada Revenue Agency on prescribed Form T2050: <http://www.cra-arc.gc.ca/E/pbg/tf/t2050/>.

With the exception of Part 6 of the form, if the application is approved and the organization becomes a registered charity, the CRA is permitted to make all of the form, including any attachments, available to the public.

Applying to be a Charity - There are 7 parts to the application:

Part 1

Asks for routine identification information (name of the applicant, its address, its fiscal period, etc).

Part 2

Asks the applicant to attach a list of the directors or trustees.

Part 3

Asks for details respecting the Organizational structure of the applicant, and asks three questions which are relevant in determining the designation of the organization. (If it is registered it will be as a charitable organization, a public foundation, or a private foundation)

Part 4

Asks for information about the activities of the applicant; here you would describe the programs and activities in detail, the ones by which it claims to benefit the community, and who the intended beneficiaries are; this Part also asks if the organization intends to undertake any letter writing campaigns, public rallies, meetings with elected officials to achieve its purposes; it also asks about fundraising plans.

Part 5

Financial Information – you have to develop a proposed budget or estimate of receipts and disbursements and a list of anticipated assets and liabilities for the organization's next complete fiscal period. (All applicants, even those not yet operating, must complete this section.)

Part 6

Confidential Information – this is not made available to the public and would include items like the physical location of books and records, complete home address of directors, and a copy of its most recent financial statements if the organization has been operating for over a year.

Part 7

Certification and Final Steps

Statutory Tests and requirements:

A registered charity must be resident in Canada, and created or established in Canada.

The organization must be constituted and operated for charitable purposes only; no part of its income is payable or available for the personal benefit of any proprietor, member, shareholder, trustee or settler.

A registered charity can only carry on limited political activities.

Charities cannot carry on businesses, however most are permitted to carry on related businesses that directly accomplish or promote their charitable objects.

Grounds for refusing to register

Advocacy Group - A typical advocacy group cannot be registered as a charity, even as an educational charity, because it is not trying to enable people to come to an intelligent decision for themselves on a particular subject, rather, it is leading people, through its choice of selected materials and the manner of presenting them, to the conclusion proposed by the organization only.

Illegal purposes, against public policy, political purposes - These types of groups cannot provide a benefit to the country as a whole.

Helps only its own members - There must be an element of altruism – the organization must be established to help other people, not its own members. Accordingly, groups that are ineligible include co-operatives, trade unions, professional associations, or any other group conferring benefits on its members. They may be operated as not-for-profits; they cannot be registered as charities.

Includes other purposes besides charitable - The organization must be established for exclusively charitable purposes. Service clubs in particular often have a very large social component in their activities, which does not qualify as charitable, however they could separate out their charitable activities and establish a separate charitable trust for them.

Unclear purposes - Finally, the purposes of the organization must be sufficiently precise, with definite activities so that the CRA and ultimately a court could determine what the activities are, who the true beneficiaries of the activities are, and whether these beneficiaries are persons in need of charity as opposed to merely being persons in need of help. There is a difference.

Grounds under which the registration can be revoked:

Not meeting the minimum spending requirement; for most charities, the amount is equal to 80% of their previous year's tax-receipted donations.

Not filing annual returns; the form required is mostly a public document, available free of charge to anyone who wants to find out about a charity, it is a condition of continued registration that these returns be filed annually.

Adequate Books and records must be kept to enable the department to determine whether it continues to meet the requirements, and whether it is issuing tax-receipts properly.

The Income Tax Act does not define charity, charitable, or gift. For working definitions of these terms we rely on the common law. Basically, charitable purposes have been categorized into four general headings:

1. The relief of poverty;
2. The advancement of education (providing children and adults with schooling and training; or conducting research; or giving the public access to the arts);
3. The advancement of religion;
4. Certain other purposes that benefit the community in a way the courts have recognized as charitable. This fourth heading covers a miscellaneous group of purposes that the courts have at one time or another recognized to be charitable. It is important to recognize that not all purposes which benefit a community are charitable – only those that have been recognized by the courts qualify.

This fourth heading includes major sub-categories such as health, the relief of the aged, the protection of the environment, the rehabilitation of offenders, and the preservation of heritage properties.

Even if the organization seeks to fulfill a charitable purpose, its application to register to become a charity can still fail if it does not meet the public benefit test. The potential beneficiaries of the charity have to be drawn from a sufficiently large segment of the general population. Secondly, the proposed charity must also demonstrate a tangible benefit to the community at large, to all Canadians, and not simply to its immediate beneficiaries.

Advantages:

A registered charity is exempt from paying Income tax, and only a registered charity has the capacity to attract gifts by being able to issue official donation receipts. Individual donors use these receipts to reduce the income tax they would otherwise have to pay. Corporate donors use them to reduce their taxable income.

Many provincial and municipal authorities also recognize and single registered charities out for privileged status.

Potential grant-makers or funders may only give funds to registered charities.

A registered charity also enjoys a favourable position under other federal taxes including the Goods and Services Tax.

GST and the Registered Charity

For further information on the following section please refer to the Canada Revenue Agency guide “GST/HST Information for Charities” - Form RC4082: <http://www.cra-arc.gc.ca/E/pub/gp/rc4082/README.html>

Do you have to register for GST?

You have to register for GST if:

- you provide taxable goods and services in Canada; and
- you are not a small supplier.

Small supplier limits - you may qualify as a small supplier under either of the following tests:

- the \$ 250,000 gross revenue test; or
- the \$ 30,000 annual taxable supplies test.

You only have to meet one of these tests to be a small supplier. If you qualify as a small supplier, you do not have to register for GST, but you may choose to do so voluntarily. For further information on the small supplier tests please see the Canada Revenue Agency guide “GST/HST Information for Charities” – RC4082 (E)

If your organization does not provide any taxable goods or services, you cannot register for GST or charge tax on your supplies of goods and services.

GST/HST Public Service Bodies’ Rebate

Charities, whether they are registered for GST or not, are eligible for a rebate of 50% of the GST they paid or owe on eligible purchases and expenses. To apply for the rebate a charity must complete Application for GST/HST Public Service Bodies’ Rebate and GST Self Government Refund Form RC4034: <http://www.cra-arc.gc.ca/E/pub/gp/rc4034/>. You have four years from the end of the claim period to file your rebate application.



Logic will get you from A to B. Imagination will take you everywhere.
Albert Einstein



5. STRUCTURAL ELEMENTS OF A NON-PROFIT

The structure of your not-for-profit will depend on the amount of human and financial resources that are available. The more formally you wish to structure your organization, the more volunteers and/or staff, plus funds you will need. The role of the Board of Directors can range from doing all the activities of the organization to focusing solely on policy issues. The financial issues will also be different depending on the type of non-profit organization it is.

To assist you through these decisions and to develop appropriate structures, Volunteer Manitoba offers a variety of workshops on Board Development, Not-For-Profit Organizational Development, and Volunteer Management <http://www.volunteermanitoba.ca>. You can also access additional information through Volunteer Manitoba's Resource Library.

a) By-Laws

Purpose of By-Laws: to define your organization's governing structure. They outline how your organization will be managed and how it will run.

They usually cover the following areas:

1. The legal name of the organization.
2. The Objects, Mandate, or Purpose of the organization.
3. Membership categories and corresponding obligations and entitlements (including dues and length of membership).
4. How the meetings will be conducted. Specifically, it will include details about the Annual General Meeting, Special meetings, Notice requirements, Quorum, and voting procedures.
5. The powers of the board.
6. Electing the Board of Directors. Specifically, eligibility, nomination and election procedures, terms of office, vacancies and removal.
7. Duties of the Officers.
8. How the board conducts its business. Specifically, frequency of meetings, quorum, conflict of interest, indemnities of directors, committees, and composition, selection and authority of these committees.
9. Financial accountability such as the fiscal year, signing authority, borrowing powers and the audit.
10. How to implement change. Specifically, by-law amendment procedures and dissolution of the organization. Since by-laws define the organization and how it is run, the content is as unique as the organization. It is best to look at a number of similar organizations' by-laws and by-law templates that are found in Volunteer Manitoba's library. You should consult with a lawyer when you are creating or changing your by-laws.

b) Board of Directors

The following is an excerpt from the booklet "Legal Liability and Risk Management: Understanding Directors' Liability" produced by Volunteer Canada.

Some organizations are governed by administrative or "hands-on" boards while others are led by policy-governing boards. Boards may be called a board of directors, a board of governors or a board of trustees.

A board is made up of individuals whose responsibility is to:

- Provide leadership and direction to the organization; and
- Govern the affairs of the organization on behalf of its members

A board usually consists of the following positions: chair, vice-chair, secretary, treasurer, and members at large. You can conduct business using ad-hoc committees, do all the work at the board meetings, or have standing committees.

Directors and officers of non-profit organizations are volunteers and are rarely paid for their services. They are responsible for governing the affairs of the organization on behalf of its members.

Directors and officers have a relationship of trust with the members of the organization, and it is from this trust relationship that certain important legal duties arise.

Directors have three basic duties:

- The duty of diligence: this is a duty to act in the best interests of the organization and its members.
- The duty of loyalty: this is the duty to place the interests of the organization first.
- The duty of obedience: this is the duty to act within the scope of the governing policies of the organization.

c) Board Obligations

*A director who does not fulfill his or her duties as outlined above may be liable. Liability arises in the following three situations:

1. When a law (statute) is broken. Directors have specific obligations relating to:
 - a. The election and appointment of directors and officers.
 - b. Calling meetings of members.
 - c. Paying taxes to government and submitting employment-related remittances.
 - d. Keeping minutes of meetings of directors and members.
 - e. Reporting and disclosing prescribed information about the corporation to authorities.
 - f. Paying wages and salaries.
 - g. Maintaining a safe workplace.
 - h. Activities of the organization that cause pollution or other environmental damage.
2. When a contract is breached or violated, where a contract is a legally enforceable promise between two or more parties.
3. When an act, or a failure to act causes injury or damage to another person (tort). Wrongful acts relate primarily to how directors govern the organization, manage its funds, supervise its staff and make decisions that affect members, clients and the public.



d) Risk Management

*It is very common for non-profit organizations to indemnify their directors for liabilities they might incur in carrying out their duties as directors. An indemnified director would be compensated for the following:

- Legal fees;
- Fines that were paid under a statute;
- A financial settlement that resulted from a lawsuit; or
- Any other legal obligation that a director was required to fulfill.

* Excerpt from the booklet "Legal Liability and Risk Management: Understanding Directors' Liability" produced by Volunteer Canada.

Incorporated organizations are required by-law to indemnify their directors for such losses. Unincorporated groups are not required to do so. Indemnification is only as good as the organization's financial ability to pay it. This is where insurance and other risk management practices come in.

1. Avoid liability through risk management. The process of risk management is a simple three-part activity. It involves:
 - a. Looking at a situation and asking what can go wrong and what harm could result.
 - b. Identifying practical measures that can be taken to keep such harm from occurring.
 - c. Identifying practical measures that can be taken to lessen the impacts of harm and pay for any resulting damages or losses.

2. Purchase Directors' and Officers Liability Insurance

Directors' and officers' insurance is like general liability insurance, and covers costs that the directors and officers of an organization might become legally obligated to pay as a result of damages to another party.

Insurance is a complex subject, and directors' and officers liability insurance is especially so. For more information on this subject, consult with a lawyer or an insurance representative.

3. Incorporate Your Organization

The incorporation of an organization under a federal or provincial statute establishes the organization as a legal entity that exists independently as separate and distinct from its members. An organization's legal status can have a significant effect on the potential liability of directors.

The minor costs and inconveniences of incorporation are far outweighed by the benefits that such incorporation provides to the members and directors. Incorporation can sometimes be the best, simplest and least expensive risk management measure for an organization to take.

4. Protect Yourself as a Director

There is no substitute for knowledgeable governance and thoughtful risk management, and the organization that manages its affairs in a conscientious and responsible manner will reduce its directors' liability risks considerably.

e) Financial Administration

Taxation Provincial

Retail Sales Tax – Bulletin # 24 “Charitable and Non Profit Fundraising Activities”: <http://www.gov.mb.ca/finance/taxation/bulletins/024.pdf> states generally non-profit organizations do not need to be registered for RST purposes and therefore would not be required to collect PST. However, refer to the Bulletin for examples of sales activities that would not meet the requirements for exemption, therefore, requiring your organization to collect PST.

Taxation Federal Goods and Services Tax

GST is the 5% tax charged on most supplies of goods and services made in Canada. Almost everyone has to pay GST on taxable supplies of goods and services made by a GST registrant. Generally, businesses and organizations involved in commercial activities in Canada have to register for GST because most of their supplies are taxable and they are not small suppliers. Registrants have to collect the tax, on taxable supplies, from their customers. They can also claim Input Tax Credits (ITCs) to recover the GST paid or

owed on purchases and operating expenses used and consumed. Consequently, if the GST collected is higher than the ITCs the registrant owes the difference to Canada Revenue Agency and if the ITCs are higher than the GST collected the registrant will receive a refund. Rules for charities are different in that most supplies made by charities are exempt. A registered charity may qualify as a small supplier and would therefore have to register for GST (please refer to section 4(d). For general information on becoming a GST registrant see Form RC4022: <http://www.cra-arc.gc.ca/E/pub/gp/rc4022/>, General Information for GST Registrants.

GST/HST Public Service Bodies' Rebate - If you are a municipality, hospital authority, external supplier, facility operator, charity, public institution, or qualifying non profit organization, or you are a university, school authority, or public college that is established and operated otherwise than for profit you may be eligible for this rebate by completing Form GST284: <http://www.cra-arc.gc.ca/E/pub/gp/rc4082/rc4082-06e.pdf>.

To determine if you are eligible, and for instructions on how to complete the form, see the guide called GST/HST Public Service Bodies Rebate Form RC4034: <http://www.cra-arc.gc.ca/E/pub/gp/rc4034/>. You may qualify for rebates at different percentages based on the extent to which you use goods and services in each activity.

As a qualifying non-profit organization, you must complete and file Form GST523: <http://www.cra-arc.gc.ca/E/pbg/gf/gst523-1/README.html>.

Tax Forms

CRA Registered Charities - under the Income Tax Act, every registered charity has to file an information return each year. The information return must be filed no later than six months after the end of the charity's fiscal period. An information return includes:

- Registered Charity Information Return, Form T3010A: <http://www.cra-arc.gc.ca/E/pbg/tf/t3010a/README.html>
- Registered Charity Basic Information sheet, Form TF725 <http://www.cra-arc.gc.ca/E/pub/tg/t4033a/README.html>
- The list of directors/trustees or like officials, Form T1235: <http://www.cra-arc.gc.ca/E/pbg/tf/t1235/README.html>
- The list of qualified donees, with all the required information, Form T1236: <http://www.cra-arc.gc.ca/E/pbg/tf/t1236/README.html>
- A copy of the registered charity's own financial statements.

A charity that does not file its return can lose its registered status. Registered charities that are revoked for failure to file are liable for a \$500 penalty and can no longer issue tax receipts for donations.

For a guide to completing the Registered Charity Information Return, Form 4033A: <http://www.cra-arc.gc.ca/E/pub/tg/t4033a/t4033a-e.html>

CRA Non-profit Organizations (NPO) under subsection 149(12) of the Income Tax Act, an organization may have to file a Non-Profit Organization (NPO) Information Return, Form T1044: <http://www.cra-arc.gc.ca/E/pbg/tf/t1044/README.html>, for a fiscal period ending after December 31, 1992. The organization will only have to file a NPO information return if:

- It received or was entitled to receive taxable dividends, interest, rentals, or royalties totaling more than \$10,000 in the fiscal period;
- The total assets of the organization were more than \$200,000 at the end of the immediately preceding fiscal period; or
- A NPO information return had to be filed for a previous fiscal period.
- An organization has to file its NPO information return no later than six months after the end of its fiscal period. An organization that fails to file a NPO information return on time faces a basic penalty of \$25 a day. There is a minimum penalty of \$100 and a maximum of \$2,500 for each failure to file.

f) Funding

You make a living by what you get.

You make a life by what you give.

Winston Churchill

Monetary Donations These can be obtained through fundraising activities such as mail-out solicitations, door-to-door canvassing, raffles, contests, etc. A not-for-profit organization must have permission from certain authorities to engage in fundraising activities within Manitoba. If the fundraising activity will be within the Province, call the Consumers' Bureau or the Manitoba Gaming Control Commission. If it will be within the City of Winnipeg, call the License Branch at the City of Winnipeg. If it will be within other Manitoba towns, cities, or municipalities, contact the local jurisdiction directly for their requirements.

Gifts in Kind a donation of an item other than money. Could include a physical item or expertise.

Grants and Contributions Money obtained usually through the submission of a proposal to a government department, foundation, or corporation. Contributions differ from grants in the management requirements that are imposed on the provider and on the recipients. An individual or organization that meets the eligibility criteria for a grant can usually receive the payment without having to meet any further conditions. In contrast, contributions are subject to performance conditions that are specified in a contribution agreement.

Imagine Canada's Directory of Foundations and Grantmakers is a database of funders and is accessible through Volunteer Manitoba free of charge.

Museums There are no grants available to start a museum from Culture, Heritage & Tourism. Not-for-profit community museums in Manitoba may be eligible for a matching operating grant from the province after they have been open to the public for at least a year. Funding may be available for start-up from other sources. For further information you may contact the Association of Manitoba Museums.

6. ADDITIONAL THINGS TO CONSIDER

a) Filing a Name Notation under The Corporations Act of Manitoba

A name notation is often used by not-for-profit groups, which are not incorporated. It is not mandatory. Any person, partnership, or association may make a notation of a name under which an undertaking is carried on. All this does is note the name of the organization on the records of the Companies Office for a period of three years.

If all your group does is file a name notation and your organization requires funding this may not be sufficient for it to be recognized by federal, provincial, or private funding sources as it is not incorporated. It may not be sufficient to allow it to set up a bank account under the name notation, as it is not an incorporated entity.

The name is noted for 3 years. If the group remains in existence after 3 years, it can be renewed for a further 3-year period.

A name notation cannot have, as part of its name, the words Incorporated, Limited, Corporation, or the abbreviation, or the French equivalent.

b) Registering Your Domain Name

Even if you are not in a position to create a website yet, you may want to think about registering your domain name to make it quick and easy for the public to remember and find your not-for-profit's website. By registering your domain now you are ensuring it will be available in the future when/if you do want to have a website.

c) Create Separate, Independent Bank Account

Strive for transparency and accountability from the start. Ensure you can clearly show your donors and funders where and how their donations are being spent. It is also a good idea to arrange for two people to have signing authority.

d) Fees as at the date of publication of this information guide:

- \$40.00 - Request for Name Reservation.
- \$45.00 - Request for Name Notation.
- \$100.00 - Articles of Incorporation (non-profit).
- \$3.00 Registration of Domain Name with MTS.
- \$25.00 minimum cost of a City of Winnipeg Raffle License, or 1.5% of the total retail value of the tickets printed, whichever is greater.
- \$50.00 for Civic Charities Permit for regular fundraising activities in City of Winnipeg.
- \$50.00 per day (not per permit) for Tag Day activities in City of Winnipeg.
- \$5.00 per game per day for Monte Carlo licenses (MB Gaming Control Commission).

There are no fees if anticipated gross revenue is under \$5,000. If anticipated gross revenue is over \$5,000, the fee is 1.5% of actual gross revenue for licenses from the MB Gaming Control Commission.

7. APPENDIX

a) Weblinks to forms and documents

Forms/Documents relating to The Corporations Act of Manitoba:

Manitoba's Corporations Act: <http://web2.gov.mb.ca/laws/statutes/ccsm/c225e.php>

Copy of Part XXII of C.C.S.M. c. C225: http://web2.gov.mb.ca/laws/statutes/ccsm/c225_2ei.php, The Corporations Act re Corporations Without Share Capital

Filing a Name Notation Information Sheet: https://direct.gov.mb.ca/coohtml/html/internet/en/coo_guidelines.html

Request for Name Notation form or file your name reservation online: <https://direct.gov.mb.ca/coohtml/html/internet/en/coo.html>

Filing Articles of Incorporation Information Sheet: http://companiesoffice.gov.mb.ca/instruction_sheets/incorporation_e.pdf

Consent to Act as a First Director form: <http://www.gov.mb.ca/finance/cca/firb/coop.html>

Notice of Change of Directors form: <http://www.gov.mb.ca/finance/cca/firb/coop.html>

Canada Revenue Agency

Application to Register a Charity Under The Income Tax Act (Form T2050): <http://www.cra-arc.gc.ca/E/pbg/tf/t2050/>

Companion Publication: <http://www.cra-arc.gc.ca/E/pub/tg/t4063/>

How does the CRA determine which organizations qualify as registered charities? Info sheet:

<http://www.cra-arc.gc.ca/E/pub/tg/rc4108/rc4108-02e.pdf>

Non-profit organizations information sheet: <http://www.cra-arc.gc.ca/tx/hnpft/menu-eng.html>

Income Tax Guide to the Non-Profit Organization (NPO) Information Return, Form T1044: <http://www.cra-arc.gc.ca/E/pub/tg/t4117/README.html>

Interpretation Bulletin IT 496R Non-Profit Organizations: <http://www.cra-arc.gc.ca/E/pub/tp/it496r/README.html>

Employee Speech, Registering a Charity for Income Tax Purposes: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cs/cs-001-eng.html>

Policy Commentary re Umbrella organization Reference #CPC-003: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cpc/cpc-003-eng.html>

Policy Statement Registration of Organizations Directed at Youth Reference #CPS-015: <http://www.cra-arc.gc.ca/tx/chrts/plcy/cps/cps-015-eng.html>

Summary Policy - Confidentiality - Reference #CSP - C12: <http://www.cra-arc.gc.ca/tx/chrts/plcy/csp/csp-c12-eng.html>

Summary Policy - Registration Application Registered Charity - Reference #CSP-R03: <http://www.cra-arc.gc.ca/tx/chrts/plcy/csp/csp-r03-eng.html>

Fundraising Forms

Application for Civic Charities Permit (City of Winnipeg) form: http://www.winnipeg.ca/cms/license_branch/civic_charities.stm

Manitoba Gaming Control Commission Raffle Applications: http://www.mgcc.mb.ca/charitable_raffle.html

Raffle License Application (City of Winnipeg) form: http://www.winnipeg.ca/cms/license_branch/raffle_license.stm

b) Contact Information for Further Information

Canada/Manitoba Business Service Centre: www.canadabusiness.ca/manitoba

The Charities Directorate of the Canada Revenue Agency: <http://www.cra-arc.gc.ca/charities/>

City of Winnipeg License Branch: <http://www.cra-arc.gc.ca/tax/charities/menu-e.html>

Community Legal Education Association (Manitoba) Inc: <http://www.communitylegal.mb.ca/>

The Companies Office (Government of Manitoba): <http://www.companiesoffice.gov.mb.ca/>

CONTACT Community Information: www.contactmb.org

Manitoba Gaming Control Commission: <http://www.mgcc.mb.ca/>

MTS Domain Name Services: <http://www.mts.ca/domain/>

Province of Manitoba Consumers Bureau: <http://www.gov.mb.ca/finance/cca/consumb/>

Volunteer Manitoba: <http://www.volunteermanitoba.ca/>

