

Becoming a Non-Profit Organization

Non-Profit organizations are entities separate from charities and businesses – but how can one be defined, and what kinds of benefits does a group get from operating as one?

A non-profit organization is a club, society, or association that is not a charity and operates for:

1. Social welfare
2. Civic Improvement
3. Pleasure or Recreation
4. Any other purpose except the profit of a member for their personal benefit.

If this sounds familiar, it's because all student representative associations (and even most student groups) are expected to run like a non-profit organization.

A charity, in contrast to a non-profit organization, is a special variety of a non-profit that must meet the same general requirements but it is also required to be “legally charitable” or, in other words, promote a public benefit. It's activities can only fall under certain categories and it must register to the government for tax exemptions.

Benefits of Being a Non-Profit Organization

The designation between an organization and a non-profit organization may seem like simply wording. However, legally it can offer many benefits to an organization and the goals it is working towards.

Benefits specifically gained from operating as a non-profit include:

1. Automatic tax exemptions.
2. Organizational power divided up in a board of directors.
3. Better focus on completing goals rather than profiting
4. Proceeds of operations reinvested into goals.

You would not want to be a non-profit when you want to:

1. Distribute dividends or bonuses to members
2. Make a profit

However, as a non-profit you can still have an inward cash flow where money is redistributed into the organization, or even pay staff salaries.

Non-Profits are expected to:

- Have a Board of Directors with a minimum/maximum number of directors specified in its' constitution
- Have conditions of membership with at least one voting class of membership
- Have a quorum number specified and meeting minutes kept
- Keep a corporate record (in other words a record of the history of the organization) and adequate accounting records
- Give a summary of financial records to all of its' members before annual general meetings.

If a Non-Profit incorporates it is required to complete these above tasks by law.

Incorporating a Non-Profit

In unincorporated non-profits members are personally liable for the actions of the non-profit as well as the property of the non-profit organization. To solve the issues of property ownership and being personally sued, many non-profits incorporate.

What is a Corporation?

A Corporation is a legal entity, which has been incorporated through a process established by law. A corporation is not a human being, but according to the law corporations are legal persons and therefore have specific rights legally.

“Corporate Personhood”

Corporate personhood is a legal concept that a corporation can be recognized as a person by the law. This is good for non-profit organizations in that after incorporating they gain the benefits of:

1. Personal liability protection (Not getting sued individually)
2. Continuity with changing membership
3. The ability to own property in its' name
4. The ability to bring legal action in its' name
5. A majority of members have power to bind others by their actions
6. Ability to carry out finances independently of member's credit status.

How Do Non-Profits Incorporate in Alberta?

As a student association, you may want to think about incorporating with the help of a lawyer if the above benefits are important or needed by your association. There are many different laws one can use to incorporate at both the federal and provincial level, so legal aid is strongly recommended.

To incorporate, a Non-Profit must:

1. Choose a unique name
2. Complete an Application form
3. Submit a set of bylaws with specific requirements
4. Be subject to ongoing obligations dependent on their means of incorporating.

Should We Incorporate?

Incorporation is a fairly involved process that would require a lawyer and the associated costs. Your group should only incorporate if it is prepared to:

- Have well written and examined bylaws
- Be held to high standards
- Be required to have a voting council
- Have the responsibility of:
 - Filing taxes yearly
 - Reporting changes of officers
 - Reporting constitutional changes

Disclaimer: The Students' Union offers this information because representative associations are expected to operate as non-profits. The Students' Union does not require groups to incorporate and incorporation is an organizational choice. This document is not to be taken as legal advice on the process of incorporation, and in the case of incorporation the use of a lawyer is strongly recommended.