



Federal and Provincial Non-Profits and Charities

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Time to Read: 15 minutes

This Fact Sheet provides information about the differences between federal non-for-profit and BC non-profits.

In the non-profit sector there are a number of ways to become legally established (aka incorporated): federally or provincially. Federal not-for-profits are incorporated under the Not-for-profit Corporations Act. In British Columbia, non-profits are usually incorporated under the Societies Act. The table below explains the key differences.

Key Differences Between Federal Not-for-Profit and BC Societies (Non-Profits)

| Comparison Factor | Federal Not-for-Profit (NPO) | BC Societies (Non-Profits) |
|-------------------------------|---|---|
| Constitution | Name, purposes, registered office location, range of directors, restrictions on activities, liquidation clause are in the constitution. | Name and purposes only are set out in the constitution. |
| Bylaws | Directors may make, amend, and repeal bylaws to be approved by the members. | Voting members pass bylaw amendments at general meetings. |
| Board of Directors | Minimum of one director is required. Must have a public accountant on the Board if the NPO is a soliciting corporation. | Minimum of three directors, at least one of whom resides in BC. |
| Financial Review Requirements | Stringency of review depends on the amount of revenue. Reviews can be onerous. Members may waive an audit if the revenue is below \$50,000. | Not required to have an audit, unless required by the members, the bylaws, or by funders. |



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| Financial Disclosures | Must prepare financial statements every calendar year. Must send summary financial statements to members prior to the AGM. | Must prepare financial statements every calendar year. Must disclose top 10 employees, directors, or contractors paid over \$75,000 per year. Directors can only be paid if bylaws permit. Must provide financial statements to members of the public upon request. |
| Operations | Must register extra provincially if carrying on business (such as hiring staff) in each province. | Must incorporate intra provincially if going to operate in other provinces. |

Charities

Once an organization is legally established (incorporated), it can apply for charitable status. Charities are those non-profits registered with the Canada Revenue Agency (CRA) that can issue tax receipts for donations. There are also only four purposes the CRA accepts for charities: advancement of education; relief of poverty; advancement of religion; or other purposes beneficial to the community (e.g. health, environment, arts, community economic development). An organization will usually have to be legally established (i.e. incorporated) before it can apply for charitable status.

The non-profit's purposes and activities must both be charitable to qualify for charitable status. Societies with appropriate charitable purposes and activities can register later for charitable status.

Becoming a registered charity is a major undertaking and can take 9-12 months. The CRA has strict rules regarding, when a charity can run a business aka social enterprise, it must be either run substantially by volunteers or linked and subordinate to the charity's purpose. More information on the process can be found on the Charities Directorate website (link on the Helpful Links page).