



## Dissolving a Non-Profit

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This Fact Sheet provides information about dissolving a non-profit in British Columbia.

Dissolving or dissolution means the process of a non-profit ceasing to exist as a legal entity. Dissolving is the opposite of incorporating the non-profit. Most dissolutions will happen voluntarily, at the request of the members.

For example, a non-profit may be unable to find willing volunteers to participate i.e. the non-profit becomes dormant. More commonly, dissolution is related to financial issues that appear insoluble.

To voluntarily dissolve a non-profit, the following steps must be taken:

- Best practice for a board considering the dissolution of a non-profit is to first convene an informal meeting of members to discuss the issues. This meeting is particularly important for non-profits with a lot of members. This meeting should canvas ideas and information without the added stress of a formal meeting. Current financials should be disclosed and the winding up and dissolution provision in the non-profit bylaws reviewed.
- Whether or not the first step is followed, the winding-up and dissolution provisions in the bylaws will govern the process. Liabilities must all be taken care of and assets distributed in accordance with those terms. Most bylaws require the dissolution decision be made by members, some give the final say to directors.
- The non-profit's members must pass an ordinary resolution at a members' meeting empowering the board to seek voluntary dissolution by the Registry.
- Once the members' ordinary resolution has been passed, the directors must pay or make arrangements to pay all the non-profit's liabilities. In some cases, this may already have occurred.



- After the liabilities have been paid, any remaining assets must be distributed to the qualified recipient listed in the non-profit's bylaws. If the non-profit's bylaws do not specify the qualified recipient, the remaining assets must be disbursed to a qualified recipient or recipient specified by a resolution of the members.
- Once arrangements have been made to settle the non-profit's liabilities and distribute the non-profit's remaining assets, the directors must submit a request for dissolution to the Registrar. With the request for dissolution, the directors must provide a copy of the members' ordinary resolution authorizing dissolution. The directors must also provide an affidavit sworn by at least two directors (or sworn by one director if there is only one director), declaring that to the best of their knowledge, the non-profit has no liabilities or has made adequate arrangements for the payment of the non-profit's liabilities and that the remaining assets of the non-profit, if any, have been distributed to the qualified recipient.

\*A qualified recipient is an organization that is eligible and designated by the non-profit's bylaws or a resolution of the members or directors of the non-profit to receive the non-profit's remaining assets upon dissolution. The Societies Act states that a qualified recipient may only be another society (cannot be a member-funded society), a community service cooperative, a registered charity, or a trust for a charitable purpose. Registered charities are obligated to distribute any remaining assets only to qualified donees within the meaning of the federal Income Tax Act.