



North Peace Housing Foundation

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To: The Board of Directors

From: Tammy Menssa, Executive Director

Re: Non-Profit vs Charitable Status Clarification

Date: June 27, 2024

In Alberta, non-profit and charitable organizations have distinct statuses with some overlapping characteristics, particularly concerning their purposes and operational frameworks. Here are the similarities and differences in terms of Board structure, reporting, legal matters, and other relevant aspects:

Similarities

1. Purpose:

- Both non-profit and charitable organizations are designed to serve public or community interests rather than generate profits for distribution to members or directors.

2. Legal Framework:

- Both types of organizations can be incorporated under the Alberta Societies Act or the Canada Not-for-profit Corporations Act (for federal registration).
- They are governed by similar basic legal principles, such as having a constitution and bylaws.

3. Governance:

- Both must have a Board of Directors to oversee the organization's operations. Board members typically serve without compensation, reflecting the organization's non-profit nature.

Differences

1. Definition and Purpose:

- Non-Profit Organizations can include a wide range of groups such as social clubs, sports organizations, and advocacy groups. Their primary purpose is not to earn profit but to further their missions.
- Charitable Organizations, as a subset of non-profits, must focus on purposes considered charitable under the law, such as relief of poverty, advancement of education, advancement of religion, or other activities beneficial to the community. To qualify as a charity, an organization must be registered with the Canada Revenue Agency (CRA) and comply with specific regulatory requirements.

2. Tax Status:

- Non-Profit Organizations may be exempt from paying income tax, but do not automatically qualify for all the benefits available to charities.
- Charitable Organizations must register with the CRA to obtain charitable status. Once registered, they can issue tax receipts for donations, which can be claimed by donors for tax credits. They must meet more stringent regulatory requirements to maintain their status.

3. Tax Receipts for donations:

- Non-Profit Organizations cannot issue tax receipts.
- Charitable Organizations can issue tax receipts.

4. Reporting Requirements:

- Non-Profit Organizations are required to file annual returns with the provincial government and may need to provide financial statements to their members. However, they do not have the same detailed reporting obligations as charities.
- Charitable Organizations must file an annual T3010 information return with the CRA, detailing their activities, finances, and compliance with the Income Tax Act. They must maintain detailed records of donations, expenditures, and activities to demonstrate that they continue to meet the requirements for charitable status.

5. Board Structure, Responsibilities and Regulatory Oversight:

- Non-Profit Organizations:
 - Board Structure: Non-profit organizations typically have a Board of Directors that oversees the organization's activities. The structure can be quite flexible, allowing for variations in governance practices based on the organization's needs and bylaws.
 - Responsibilities: While they must adhere to their own bylaws and legal requirements, non-profits generally have more freedom in setting their governance practices compared to charitable organizations.
 - Regulatory Oversight: There may be less stringent regulatory oversight compared to charitable organizations.
- Charitable Organizations:
 - Board Structure: Charitable organizations, being designated for specific charitable purposes, often have a more structured board setup. This includes adherence to stricter governance standards.
 - Responsibilities: Board members of charitable organizations have fiduciary duties, which include ensuring that the organization's resources are used exclusively for charitable purposes. This fiduciary responsibility is crucial in maintaining accountability to donors, beneficiaries, and regulatory bodies.
 - Regulatory Oversight: Charitable organizations are subject to additional oversight by regulatory bodies such as the Canada Revenue Agency (CRA). This oversight ensures compliance with tax laws and charitable regulations, aiming to maintain public trust and accountability.

6. Legal Matters:

- Non-Profit Organizations are governed by the Alberta Societies Act or other relevant legislation, with legal requirements focused on incorporation, governance, and general operational transparency.
- Charitable Organizations are subject to more comprehensive legal oversight, including compliance with CRA regulations regarding fundraising, financial reporting, and operational activities. Charities must also ensure that their activities align strictly with their registered charitable purposes.

To summarize, the key distinction between non-profit and charitable organizations lies in their registration and regulatory requirements.

Charitable organizations, being a specific type of non-profit, must adhere to additional CRA regulations to maintain their status and enjoy benefits like issuing tax receipts for donations.

Both types of organizations share a common foundation in serving public interests without profit motives but differ significantly in their operational, reporting, and governance requirements.

Recommendation:

Direct Administration to apply for Charitable status allowing the Foundation to qualify for various grants and funding opportunities that are exclusively available to registered charities; benefit from reduced operating costs, discounted rates (advertising rates, software, IT services, etc.), and access to resources (training and support); engage in a wider range of fundraising opportunities and corporate sponsorships; provide donors with tax-deductible receipts, enhancing organizational credibility and public trust, and making it easier to attract and incentivize donations.

Thank you for your consideration,



Tammy Menssa
Executive Director