

Start your own nonprofit

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How to get started

You have an idea that can help others. Where do you start?

First, figure out how to structure your idea. Do you want to start a nonprofit? Or a charity? Or a for-profit enterprise?

There are 170,000 nonprofits in Canada. All have a goal that is something other than profit. They do not have shareholders and they are exempt from tax. About 50% of nonprofits stay as nonprofits. They are able to collect fees that cover their costs. Examples include sports leagues and associations with professional membership dues.

So what is the difference between nonprofits and charities?

The other 50% know that they cannot collect fees to cover their costs because the people they serve cannot afford them. So they need to raise funds so they need to give tax receipts so they need a charitable designation from the Canada Revenue Agency. These nonprofits are called charities.

Another reason why some nonprofits don't get their charitable designation is that the CRA requires their purpose to address poverty, education, religion or community.

Why MAS made this booklet

This booklet explains the 5 paths you can take to create a social enterprise.

This is the minimum you need to get started. We also provide links to other organizations that can help you.

Path #1 Incorporate as a for- profit

Set a price that just covers your costs. You won't make much profit and therefore you won't pay much tax, just like a nonprofit. This option allows you to test whether your idea can stand on its own. If you want, you can attract angel investors because you can give them equity.

For example, Charity Village is a fabulous online site for job postings, volunteer postings, newsletters and free webinars. Their business model happens to be for-profit, because they want to remain nimble.

Click for instructions on how to [incorporate federally](#) and [provincially](#).

Path #2 Incorporate as for-profit and align with a charity

This path allows for 2 separate entities, with 2 separate Boards of Directors. For marketing purposes, you benefit from the halo effect of the charity's brand:

- immediate credibility
- immediate access to their audience.

To compensate the charity for the risk of allowing you to align with their brand, they get a consistent revenue stream from you. Note: any funds raised by the charity cannot flow back to the for-profit. Typically, the same people found both organizations and there are rules about the overlap.

An example: Free the Children is a charity. ME to WE is the for-profit that directs half of its net profits to them.

Path #3 Incorporate as a nonprofit

Instead of getting angel investors, you can apply for grants from governments and foundations.

Click here for instructions to [incorporate federally](#) and [provincially](#)

What you must have:

- Name, address, purpose
- Board of Directors (minimum 3 including President, Secretary and Treasurer)
- Meetings: minimum 1 meeting/year, voting procedures
- Financials: year-end, annual budget, auditor, bookkeeping and records
- By-laws: including a process for by-law amendment

Path #4 Incorporate as a nonprofit and get CRA designation

If the people you serve cannot pay you, you will need to generate revenue by collecting donations. You may be attracted to the large pool of funds available, but you will face a larger pool of competitors.

In the for-profit sector, you compete on product features. Because the purchaser uses the product (or is closely connected to the user), their purchase decision is based on product features. Your competition is limited to other entities that supply your product or service.

In the nonprofit sector, you compete based on emotion. The donor (purchaser) is completely disconnected from the client (product user). They don't know each other, don't understand each other, sometimes they live in different countries. You don't compete based on product features. Instead you compete on how a donation to you fulfills the emotional needs of the donor. A donor will want reassurance that you will use their money wisely – that you are able to show the impact you have. But, your competition is now the 85,000 registered charities going after the same pool of donors.

Click here for [instructions](#)

Path #5 Find a charity to hire you as staff on a special project

You can avoid administration work and focus on your mission. Any donor can get a tax receipt. It is great for the nonprofit sector because you are strengthening an existing charity – there are already so many nonprofits fragmenting the sector, it would be healthier if there could be more consolidation.

But there are concerns for the charity you approach:

- Does it fit their mission? Just because you think it fits, doesn't mean they think it fits.
- Do they have capacity? Every charity has a wish list of things they would love to do. They may have different priorities.
- Your time and ability? At your stage in life, are you going to stick around and finish the job?
- Control? You have to report to the charity.

For example, Jack.org, now a separate charity but it started as a project under KidsHelpPhone.

Next steps

Find a lawyer to help you decide on the best structure for you.

The Law Society has [roster of lawyers](#) who are willing to work pro bono at Pro Bono Law Ontario.

Helpful links:

Imagine Canada – [Starting an organization](#)

Ontario Ministry of the Attorney General -

[Not-for-profit incorporator's handbook](#)

Be honest with yourself

Ask yourself why you want to start a nonprofit. In addition to giving back, there can be other reasons that are motivating you. Sometimes the other reasons propel you further; sometimes they get in the way.

Is it because:

- You hope that you can create a paid job for yourself
- You have not searched to find a suitable charity to partner with
- There are other charities, but you feel your mission is slightly different
- You want to leave a legacy. In 10 years, you dream you can brag about what you built
- You want to keep yourself busy in retirement
- You want to fill in a gap in your resume
- You want to grow something on your own; have control over all aspects to fulfill your specific vision
- Give a sense of purpose to your life, beyond your day job.

The nonprofit sector suffers from being too diluted. The sector would be more efficient if there were fewer, bigger enterprises to achieve economies of scale.

For the sake of the nonprofit sector, option #5 is ideal since it strengthens existing enterprises. When you work in partnership with an existing charity, you get to focus on your cause; the charity can focus on the administration (financial reporting, marketing, fundraising, governance). That will allow you to learn if your idea is useful. Over time, you can take over more administrative tasks, get nonprofit status and eventually get a charitable designation.

Some founders jump directly to nonprofit status, then struggle.

Other MAS publications

- Marketing Bootcamp – For EDs of small nonprofits
- Fundraising Bootcamp - for EDs of small nonprofits
- MidSize Nonprofits: Marketing Self Audit
- Part 1 – How nonprofits can recruit and manage Skilled Volunteers
- Part 2 – Orientation for Skilled Volunteers
- Common Governance Problems
- Common HR Problems

About MAS Consulting

Management Advisory Services is a pro bono consulting service, operating in Toronto since 1993. Completing 200+ projects per year, we help small and midsize non profits in governance, strategy, HR, marketing, fundraising, finance, IT, executive coaching and facilitation. As a volunteer-run charity, MAS is funded by donations from volunteers and satisfied nonprofit clients.

Our 50+ Volunteer Consultants are professionals who give back using the skills we learned in our careers.

Our mission is to build capacity in the non profit sector.

Bill Sparks and Lelia MacDonald
MAS Volunteer Consultants

If your nonprofit needs consulting help, contact MAS

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