



# CO-OPERATIVES WITH CHARITABLE STATUS



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# OVERVIEW

The intent of this analysis, prepared by Co-operatives and Mutuals Canada (CMC) as part of the [Investment Readiness Program](#), is to provide an overview of co-operatives with charitable status to the sector as well as government stakeholders, impact investors, funders, and other interested parties.

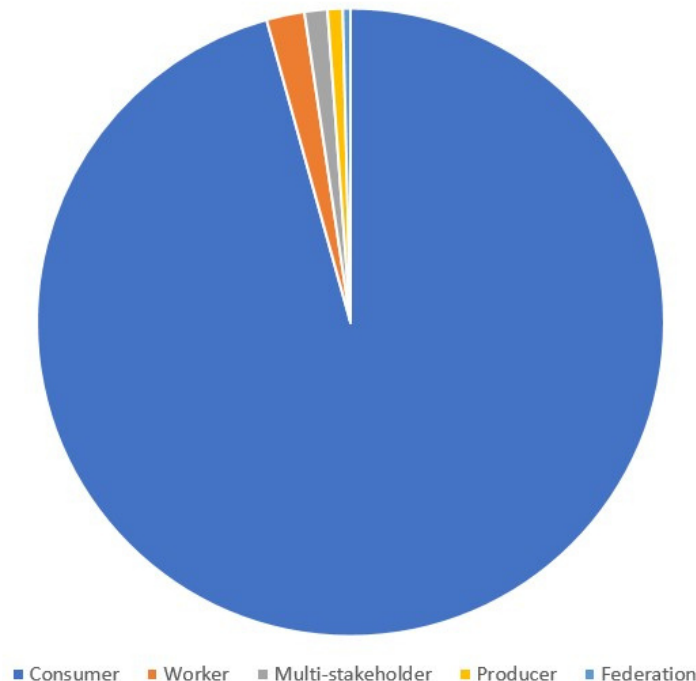
This analysis is based on information available in the CMC database and in the [public listing](#) and 2020 dataset compiled the Charities Directorate of the Canada Revenue Agency. In addition, a collaboration with Blumbergs Professional Corporation allowed the consolidation and sourcing of reports linked to the firm's T3010 Registered Charity Information Return Database and [Charitydata.ca](#), a free charity data research tool.

Canada has more than 86,000 registered charities under the Income Tax Act and more than 250 active co-operatives were identified from that list, representing only 3.3% of the more than 7000 co-operatives and mutuals in Canada. Those that do have charitable status can be located on CMC's [Co-operation Across Canada Map](#), by using the advanced filters tab.

# RESEARCH

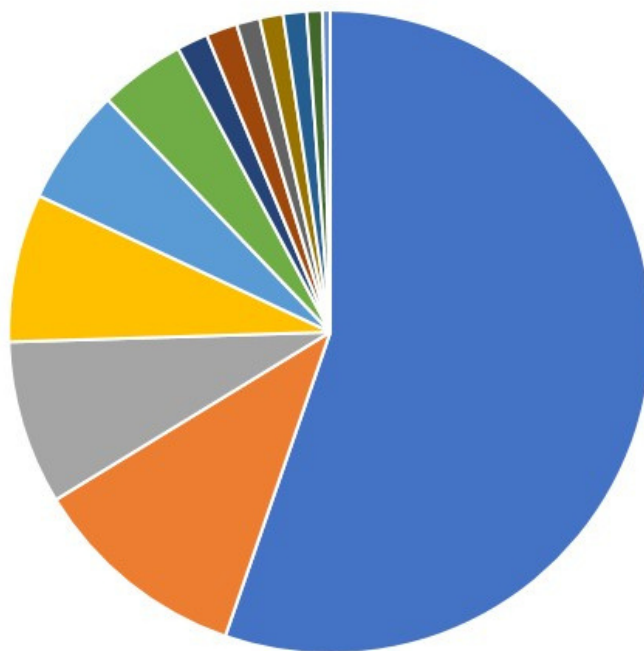
## Co-operative Types

The vast majority of co-operatives with charitable status (96%) are consumer co-operatives and the remaining four percent is made up of five worker, three multi-stakeholder and 2 producer co-operatives, as well as a Federation. These all provide products and services to their members to realise their common economic, social and cultural needs and aspirations. For more information of the types of co-operatives, please [click here](#).



## Industries

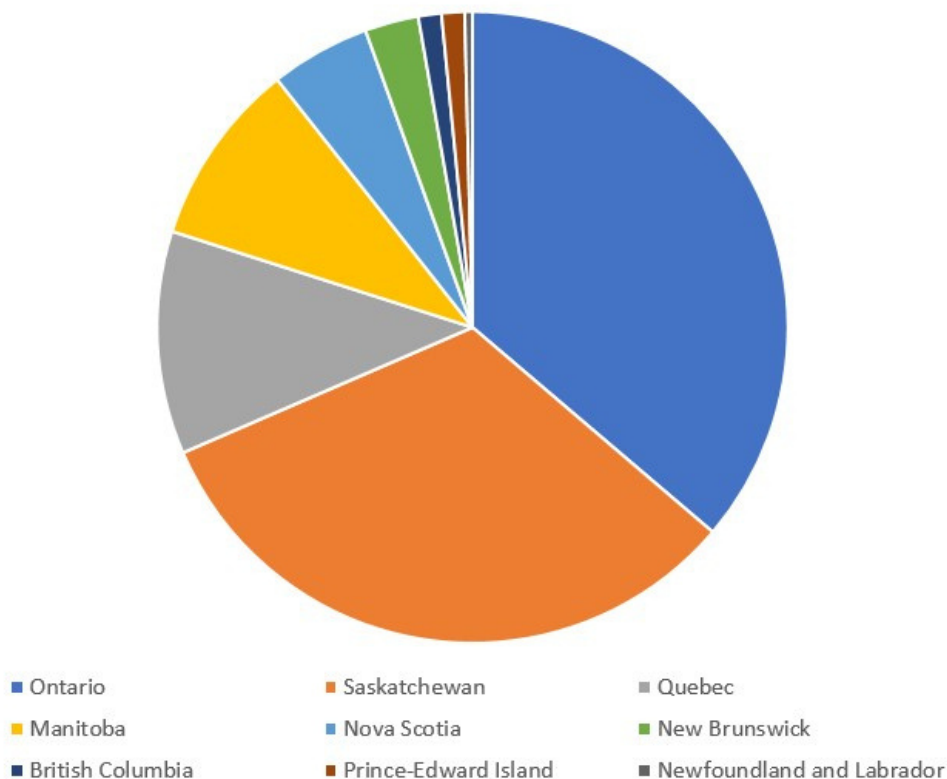
Co-operative enterprises can be found across numerous industries and can be examined through the lens of [The North American Industry Classification System \(NAICS\)](#), a standard that has been developed by the statistical agencies of Canada, Mexico and the United States. When doing so, unsurprisingly, most of the co-operatives with charitable status are involved in activities related to the well-being of individuals and communities, such as childcare, social services, [Housing](#), Health and wellness (74%), in the arts and culture realm (13%) or economic development (8%). For the latter, CRA [Guidance CG-014](#) outlines how Community economic development (CED) activities can be charitable, when they further a charitable purpose.



- Childcare (624)
- Arts, Entertainment and Recreation (71)
- Community Economic Development (5416)
- Social Services (62)
- Health and Wellness (62)
- Housing, Rental and Leasing (53)
- Information and Culture (51)
- Other (81)
- Professional Services (54)
- Education and Training (61)
- Transportation and Storage (48/49)
- Funerals (812)
- Administrative and support (56)

## Location

The concentration of co-operatives with charitable status is not commensurate with the weight of incorporated co-operatives and mutuals across the country, nor are they found in all provinces and territories. Notably, Ontario accounts for 36% and Saskatchewan 32% of registered charitable co-operatives, when they represent 18% and 8%<sup>[1]</sup> of co-ops and mutuals respectively. In addition, 45% of the Co-operative Sector is based in Quebec but only 11% of the charitable co-ops are. Although the disproportionate weight of incorporated co-operative charities in Saskatchewan was surprising, more research is required to better understand the history. In terms of the reality in Quebec, the latter could be explained by the envious enabling environment that provides numerous other funding opportunities and resources to co-operatives, as well as a attitudes and trends for this province, as they relate to philanthropy and the evolution of the social and solidarity economy there. For more information on charitable giving, please see [30 Years of Giving in Canada](#), by David Lasby and Cathy Barr, on behalf of Imagine Canada and the Rideau Hall Foundation.



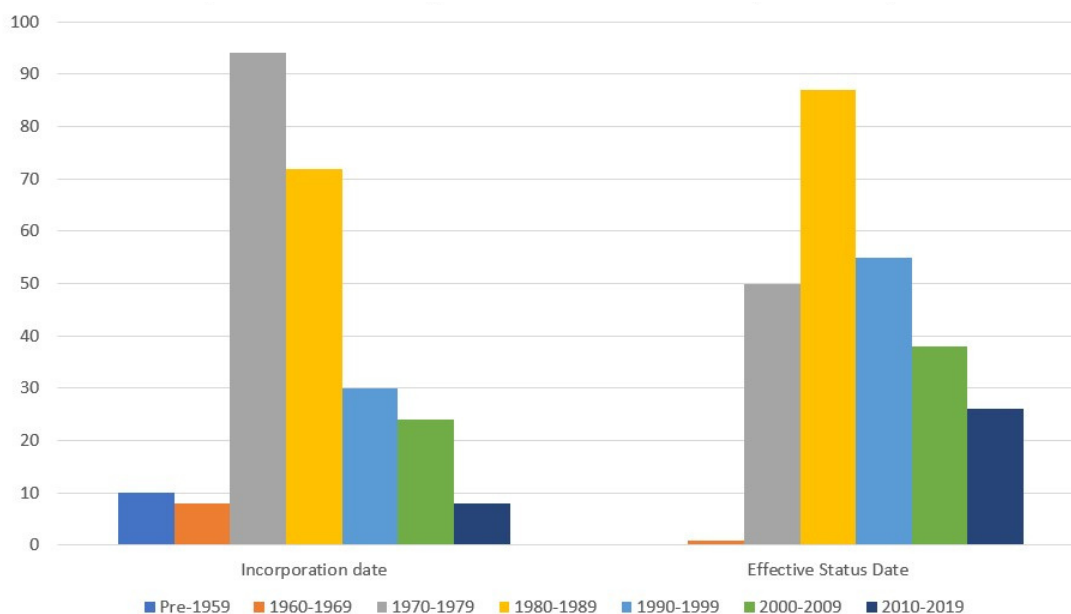
[1] 2023 - [Economic Impact of the Canadian Co-operative and Mutuals Sector \(2019\)](#), by Fiona Duguid and George Karaphillis on behalf of Co-operatives and Mutuals in Canada

## Incorporation and Effective Status Dates

All the co-operatives with charitable status are incorporated provincially and although most were incorporated in the 70s and 80s, the oldest active one that this project identified dates from 1926. The [Tyvan Community Hall](#) in Tyvan Saskatchewan has an effective date of (charitable) status since 1980. The most recent one is the [Hope Project Addiction Recovery Services Co-operative Limited](#) in Point Edward, Nova Scotia, which was incorporated in 2017.

The registered charity system was started in 1967 and the earliest co-operative to have been granted charitable status, who has maintained it, is the [Association coopérative d'économie familiale de l'Outaouais](#) in 1972. The most recent is the [MusGo Rider Valley-Sheet Harbour Cooperative Ltd](#), based out of Porters Lake, Nova Scotia, which received it in 2021.

The following graphic divides the relevant co-operatives by date of incorporation, but it should be noted that obtaining charitable status is not a concurrent process and that this status can be obtained or revoked in the years since incorporation. According to CRA records, 209 co-operatives once had charitable status but no longer do. Of this segment, 78 chose to voluntarily revoke their status, 130 were revoked by the Canada Revenue Agency for failing to file the appropriate annual declarations, and final one was revoked for other reasons.

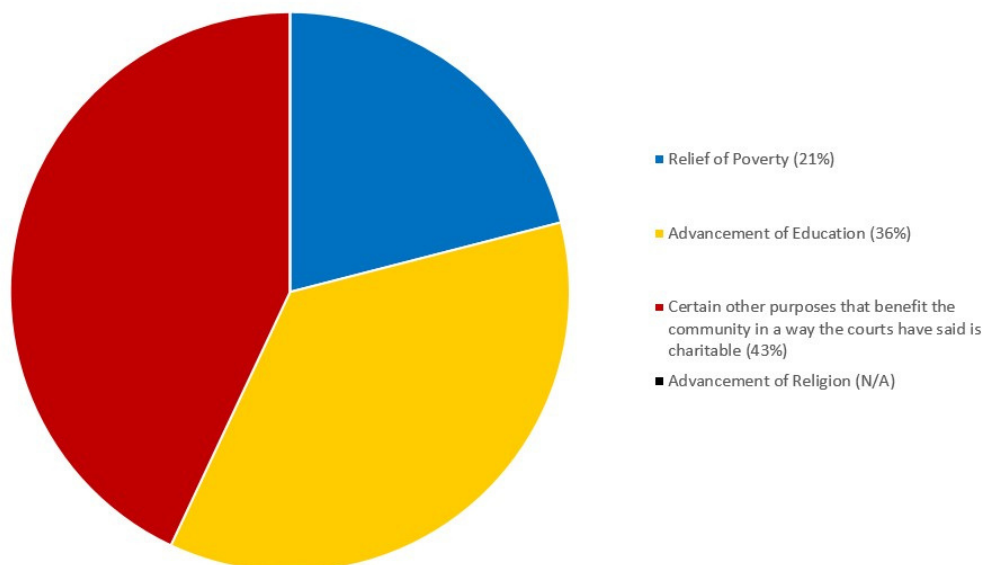


## Charitable Purposes

Although [three designations](#) of charities exist, notably the Charitable Organization, Public Foundation and Private Foundation, all but six of the co-operatives with charitable status are designated as Charitable Organizations, which means that each:

- is established as a corporation, a trust, or under a constitution,
- has only charitable purposes,
- primarily carries on its own charitable activities,
- has more than 50% of its directors, trustees, or like officials dealing with each other at [arm's length](#),
- generally receives its funding from a variety of arm's length donors.

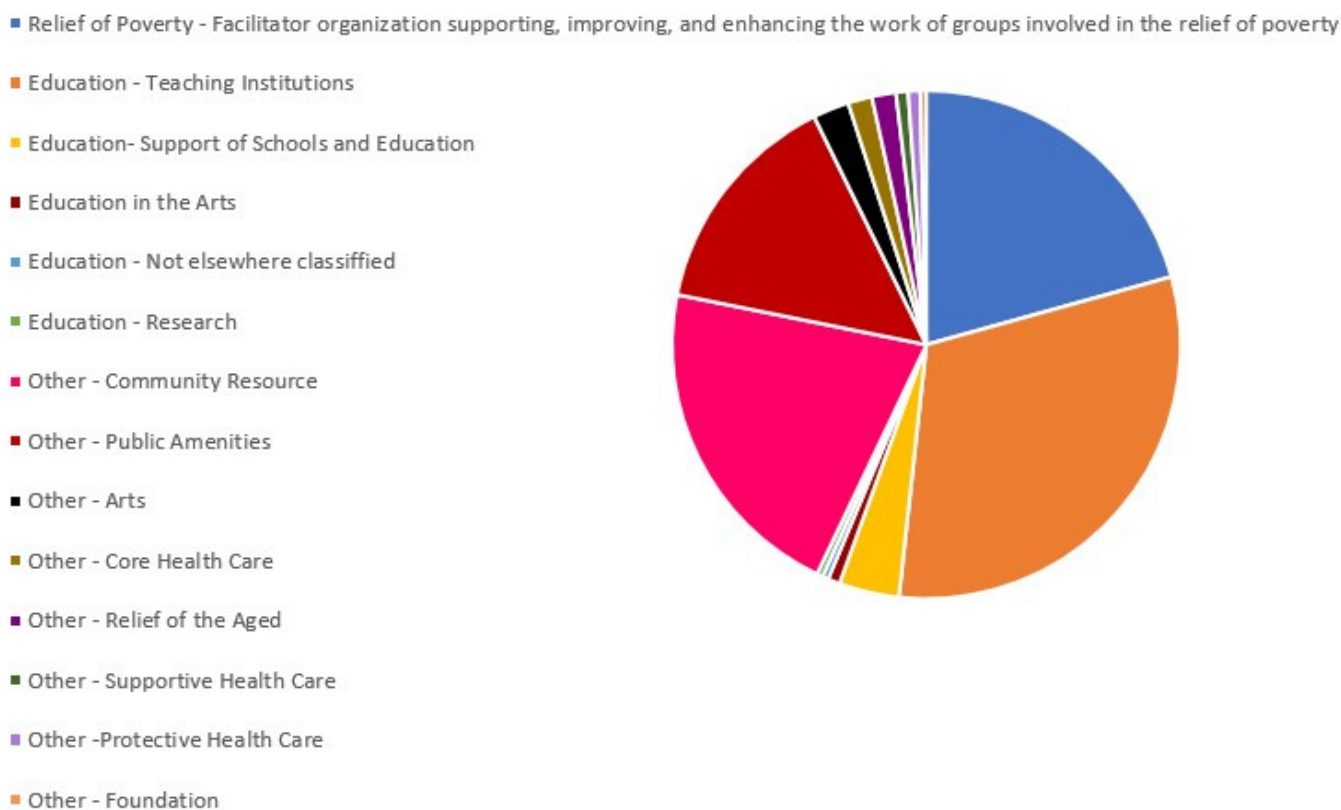
Charity is not defined in the Income Tax Act ("ITA"). Instead, CRA relies on the wording of the ITA about the application of the law and Canadian court decisions. It also publishes Guidance and Rulings based on those cases and its interpretations of the law. A central feature of the charities regime is the requirement a group's purposes and the activities to support those purposes must each be exclusively charitable. There are four applicable charitable purpose/object categories, also known as the four heads of charity, which include relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community in a way the law regards as charitable. None of the ones included in the review focused on the advancement of religion. The others are distributed as follows:





## Charitable Purposes by Sub-Categories

Each of the charitable purposes/object categories have sub-category codes that allow for further segmentation. By cross-referencing these, it is possible to gain a better understanding of the raison d'être and activities of these co-operatives. The graphic below provides a glimpse of the means by which co-operatives with charitable status advance their charitable objectives, with four distinct classifications being the most common. In the Relief of Poverty category, all co-operatives are sub-coded as Facilitator organization supporting, improving, and enhancing the work of groups involved in the relief of poverty. In terms of Education, they are mostly teaching institutions (co-op preschool/nursery schools) and in terms of other purposes, co-ops are most often found established to provide public amenities or act as a community resource.



**Operational Highlights for 2020 for charitable co-operatives were:**

- 246 are designated as charitable organizations and 6 are public or private foundations.
- 236 were active and 16 were not.
- 234 reported having ongoing programs, whereas 28 launched new ones.
- On average, co-operatives with charitable status have between 7 and 8 directors and of the 1982 directors listed, 82% are considered “arms length”.
- The most common form of fundraising were sales (91), fundraising dinners/galas/concerts (48) and draws/lotteries (38).
- Only three paid external fundraisers.

**Financial Highlights for 2020 were:**

- \$107,951,891 in compensation from 214 employers, representing 2192 full-time positions and 4323 part-time or part-year employees.
- When considering the top ten highest compensated permanent, full-time positions in these charities, roughly 54% made under \$40,000 and roughly 42% made between \$40,000 and \$79,000. Part-time or part-year employees averaged were \$4,544 per year.
- \$176M was the total revenue of all co-operatives with charitable status in 2020.
- 61% of revenue for co-ops with charitable status came from government sources and almost 19% came from the sale of goods and services to entities other than governments.
- 74% of \$108M that came from public sources came from provincial/territorial governments, and the remainder being sourced evenly between municipal/regional governments or the federal government.
- Gifts involving charitable receipts or grants from other charities because having [qualified donee](#) status, only accounted for 2.6% of the overall consolidated revenue.
- Co-ops with charitable status had expenditures of slightly over \$166M in 2020, and 96% of the expenditures were for their own activities, the other 4 percent consisted of grants to other qualified donees. Of the amounts that co-op charities used for their own activities, 82 % was spent on conducting charitable activities and 12% was on management and administration, the remainder being used for other purposes such as occupancy costs, education and training, consulting etc.

# PROJECT CONTRIBUTORS

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## **The Investment Readiness Program**

Funded by the Government of Canada, the Investment Readiness Program (IRP) supports social purpose organizations as they contribute to solving pressing social, cultural, and environmental challenges across Canada. Through this program, social purpose organizations across Canada will build their capacity to participate in the growing social finance market and prepare for the Government of Canada's broader investment in social finance via the [Social Finance Fund](#). The Social Finance Fund and IRP are the first initiatives to result from the [Social Innovation and Social Finance Strategy](#).



## **Co-operatives and Mutuals Canada**

Co-operatives and Mutuals Canada (CMC) is the apex association, focused on its members, that unites, engages, and leads the co-operative movement by advancing its priorities nationally, as well as internationally, through International Cooperative Alliance (ICA). Its goals are to build bridges, break barriers and create durable opportunities for the co-operative sector in Canada.

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## **Blumbergs Professional Corporation**

Blumbergs provides legal advice and assistance to charities and non-profits relating to compliance and standards, online courses and education programs dealing with legal, ethical and practical issues affecting non-profits and philanthropy, as well as numerous related resources. The T3010 information was sourced from a database created as part of the Sean Blumberg Transparency Project and contains T3010 information for the 2020 fiscal year that was processed into the Canada Revenue Agency's Charity Listing database by August 2022.

# APPENDIX

## Introduction

There are pros and cons for co-ops to consider when deciding whether to seek charitable status. Co-ops are strongly urged to contact a lawyer and an accountant if charitable status is being considered, because the Canada Revenue Agency's has legal and administrative standards of charitable work and requirements that must be met regularly to secure and maintain the charitable registration.

In addition to "special provisions", the objects or purposes listed in a co-op's Articles must be compatible with the Canada Revenue Agency's outline of acceptable charitable purposes. The Articles also need to be specific enough to satisfy the Agency's requirement that the objects are not broad and vague and the activities being carried out by the co-op are truly charitable.

A major stipulation is that an organization seeking charitable status must demonstrate how its activities provide a public benefit and the group cannot be organized to provide benefits to only a small or restricted group of people.

### **Advantages of obtaining charitable status:**

There are three main operational benefits to operating as a charity, and they are linked to securing vital sources of revenue that otherwise many not have been available or more difficult to access.

- 1.Charitable tax receipts can be issued to both private individuals and corporate entities. For more information on what you need to know to issue an official donation receipt, visit the CRA's [Issuing receipts](#) page and related resources.
- 2.Foundation and other potential funders can more easily incorporate the co-operatives who have charitable status in their grant making processes, even if their understanding of the co-operative model is limited.
- 3.Potential contributors, partners and other stakeholders will usually have a natural affinity to charities, regardless if they know the co-operative model. Overall, Canadian donors are more confident in the charitable sector than ever before, with almost nine in ten respondents (87%) saying they're confident in the organizations that comprise the charitable sector<sup>[1]</sup>

### **Disadvantages to Charitable Status**

Although there are advantages to charitable status that can make charitable status attractive, there are some important elements to consider, notably:

- 1.There is a higher administrative burden as the Canada Revenue Agency requires that the organization track and report on a lot of information that is unique to charities in order to maintain its registration. Here is a [checklist](#).
- 2.Some individuals and entities express concern around the most basic transparency requirement, the mandatory [T3010 Registered Charity Information Return](#). This is because certain sections become publicly available [here](#), such as the charity's contact information, general activities, and some of the detailed financial information.

[1] 2021 What Canadian Donors Want survey, conducted by Forum Research for the Association of Fundraising Professionals (AFP) Foundation for Philanthropy – Canada and sponsored by Fundraise Up.

3. Charities are limited in the scope of their activities and must engage in allowable activities within with their objects, either by carrying on its their own charitable activities or by gifting to qualified donees.
4. Co-ops with charitable status are prohibited from distributing surplus to its members, which can impede the charity's ability to attract or retain them. It is worth nothing however, that 59% of co-operative and mutuals enterprises in Canada do not give patronage dividends, and are thus deemed non-profit, and 52% of these are in Housing[2].
5. Paying Directors of a charity is not allowed. Directors of charitable organizations have prescribed fiduciary duties such as avoiding conflict of interest issues and always acting in the best interests of the organization. Generally, there is a prohibition against directors being paid for their services either as an employee or contractor (without a court order).

## Directory

Co-operatives and Mutuals Canada maintains the most comprehensive database, map and online directory of co-operatives, credit unions, caisses populaires and mutuals in Canada. Those with charitable status can be located on CMC's [Co-operation Across Canada Map](#), by using the advanced filters tab.

## CO-OPERATION ACROSS CANADA

Co-operatives and Mutuals Canada maintains the most comprehensive database, map and online directory of co-operatives, credit unions, caisses populaires and mutuals in Canada.

- To search for co-operatives, credit unions, caisses populaires or mutuals that meet your criteria, make a selection from one or more of the options below and click Search. To find a specific organization, enter some or all of its name and click Search.
- You may also search by location, keyword, or make one or multiple selections from drop-down lists by clicking on "Advanced Filters" and/or "Products and Services". Various search options can also be combined to further narrow your results.

Please note that our listings currently only include head office locations, not branch offices.

The screenshot shows a search interface with the following elements:

- Search fields for Name, Sector, City, and Province.
- Search fields for Co-op Type and Keyword search.
- A "Products and Services" button.
- A "Search" button and a "Reset" button.
- An "Advanced filters" section (circled in blue) containing:
  - Co-op conversion
  - Extra-provincial/NWP registered
  - Registered charity
  - Renewable energy

[2] 2023 - [Economic Impact of the Canadian Co-operative and Mutuals Sector \(2019\)](#), by Fiona Duguid and George Karaphillis on behalf of Co-operatives and Mutuals in Canada

### Acknowledgement

CMC would like to acknowledge the work of the Ontario Co-op Association (OCA), whose fact sheet STR07: Choosing Charitable Status served as a key source of information for the Appendix of the Co-operatives with Charitable Status 2020 Analysis. This Fact sheet was made possible through a grant from the Ontario Trillium Foundation (an agency of the Government of Ontario). Please visit: [Co-op FactSheets](#) for this one and others.





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