


# Incorporation Structures for Social Enterprise and Social Purpose Organizations

**pürppl**

Updated November 2023

We build social impact, **together.**

A background image of several purple flowers with bright yellow centers, likely Aster or similar species, set against a blurred green background. The flowers are in various stages of bloom and are scattered across the frame.

**Purppl acknowledges that our team works from the traditional, ancestral, and unceded territory of many nations, including the Syilx / Okanagan people, where we have our deepest roots.**

**Our relationships grow from these roots.**

**We aim to be strong allies in building a sustainable, regenerative, and just economy and contribute to a future defined by collective wellbeing, equity, and the health of the air, land, and water.**

**The importance of this future couldn't be more clear.**

# Topics and Context

**We aim to build capacity and confidence in the complex decision making needed around incorporation and governance structures for social entrepreneurs and impact leaders.**

Purppl is a team of social entrepreneurs, impact leaders, and practitioners. We bring diverse and different perspectives into this conversation as participants in the social economy.

We are not lawyers or accountants. Please seek both legal and accounting advice to support your decision making.

## Impact Model

Gain clarity about how and why your work will bring about change

## Business Model

Take time to clarify your primary revenue streams and business model.

## Incorporation Structures

- What's a social enterprise?
- Motivation and Consideration
- Common Legal Structures
- A Few Examples

## Decision Making

Build a repeatable decision making matrix to help you make decisions about incorporation structure (and more).

**We are not lawyers or accountants. Please  
consult a professional for legal or  
accounting advice.**

# Impact Model

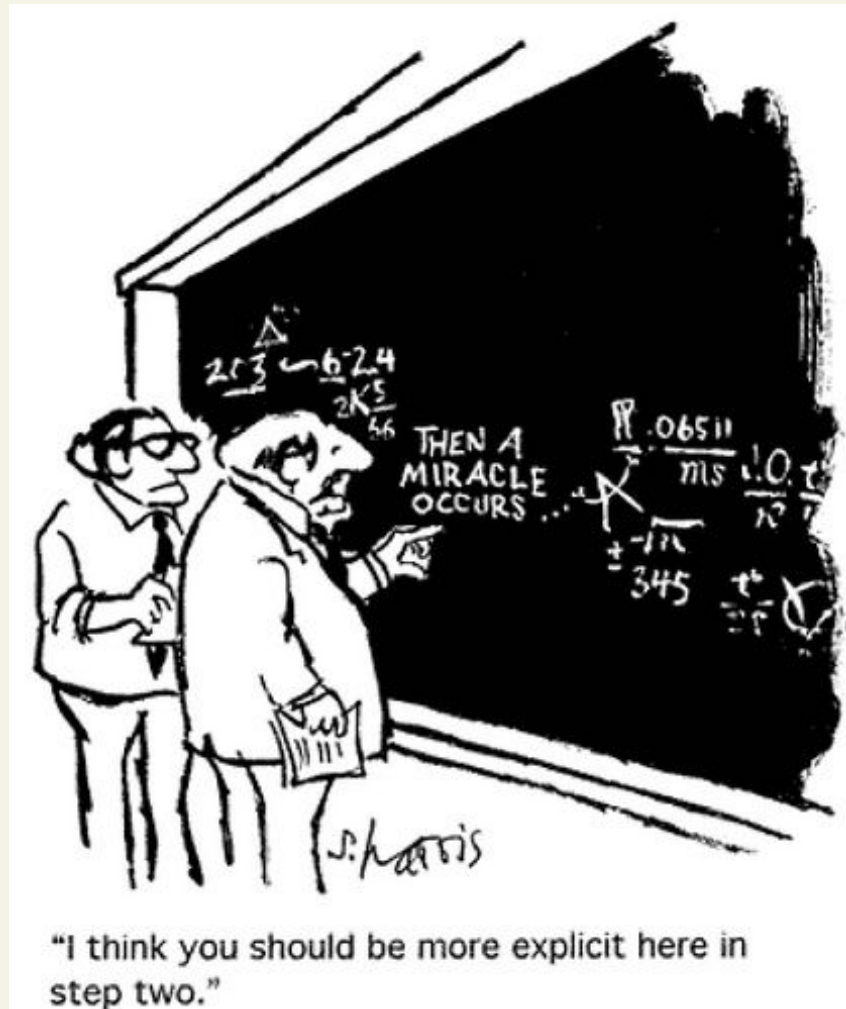
**A theory of change (TOC) is a globally popular tool to describe and illustrate how and why a desired change is expected to happen.**

The TOC helps to identify which activities will contribute to desired outcomes and the long term impact that is desired.

A theory of change anchors your impact model in a similar way that a business plan anchors a business model.



**A Theory of Change is a visual model that communicates how and why your work will bring about change.**



"I think you should be more explicit here in step two."



# Pickles, Peaches, and Climate Action?

**Impact Statement:** Contribute to climate action.



## INPUTS

Land  
Soil  
Water  
Raised beds  
Seeds  
Money  
Canning supplies

## ACTIVITIES

Weeding  
Watering  
Soil amendments  
Composting  
Harvesting  
Canning  
Dehydrating

## OUTPUTS

76 pickles  
120 peaches  
48 salsa  
24 hot sauce  
000's lbs of veggies  
% of food produced  
\$ saved  
# lbs waste reduced

## OUTCOMES

Self sufficient  
Happier  
Healthier  
Fitter  
Permaculture

## IMPACTS

Carbon reduction  
Food security in the region  
Regenerate the land  
Save the bees and butterflies  
Inspired others to garden / preserve

# Theory of Change Template

**Impact Statement:** Describe the desired change you would like to achieve; include the desired change as well as who it affects. The statement is often qualitative, but could include an aspirational quantitative statement.

How

What

Why



## INPUTS

Resources needed to implement the desired actions.

## ACTIVITIES

Programs, approaches, or actions (strategic) that will bring about the desired change.

Actions or sets of activities. Often called interventions.

## OUTPUTS

Early indicators for the outcomes you choose to address.

Immediate effects and results of your interventions.

Usually eas(ier) to measure.

Shows **progress**.

## OUTCOMES

The desired state if you are successful.

This is how change would look for your stakeholders / beneficiaries.

Change that you influence but not control.

Shows **change**.

## IMPACTS

Systemic changes you hope to contribute to by taking action.

This is the change you can contribute to at a system or community level.



# KSCI TOC

## Impact Statement:

We help people with disabilities lead happy lives as important members of our communities.

## The Work

## The Results

### INPUTS

- Staff/Volunteers
- Families
- Space to operate and gather
- Money
- Technology

### ACTIVITIES

- Facilitate individuals...
- Onboard, train and support staff and families...
- Share stories...
- Educate and advocate...
- Develop housing solutions...

### OUTPUTS

- Individuals feel a strong sense of belonging, active in the community, live independently
- Families have opportunities to network
- Staff see the value of taking calculated risks with persons served

### OUTCOMES

- Individuals feel supported and valued
- Individuals have natural relationships outside of families
- Living situations contribute to wellbeing
- KSCI team feels empowered...
- Families feel connected and hopeful

### IMPACTS

- People are living their best lives.
- People with disabilities experience a sense of belonging and wellbeing.
- People with disabilities have access to meaningful work; working with them is felt to be meaningful.

**Most organizations deploy multiple activities which can be grouped together.**

**Without a **theory** there is no Theory of Change.**

# Principles of Theory of Change

**A theory of change is all about humility.**

## **Be humble**

The impact is theirs. Many activities contribute to the outcomes, not just your activities.

## **Contribution, not attribution**

Ask for contribution, don't assume or take credit for changes.

## **Activity ≠ Outcomes**

Many activities contribute to change on intended outcomes and impacts.

## **Theory, not equation**

Seek constant learning and iteration to improve your theory. It's okay to include things that you're not doing yet, or can't measure yet.

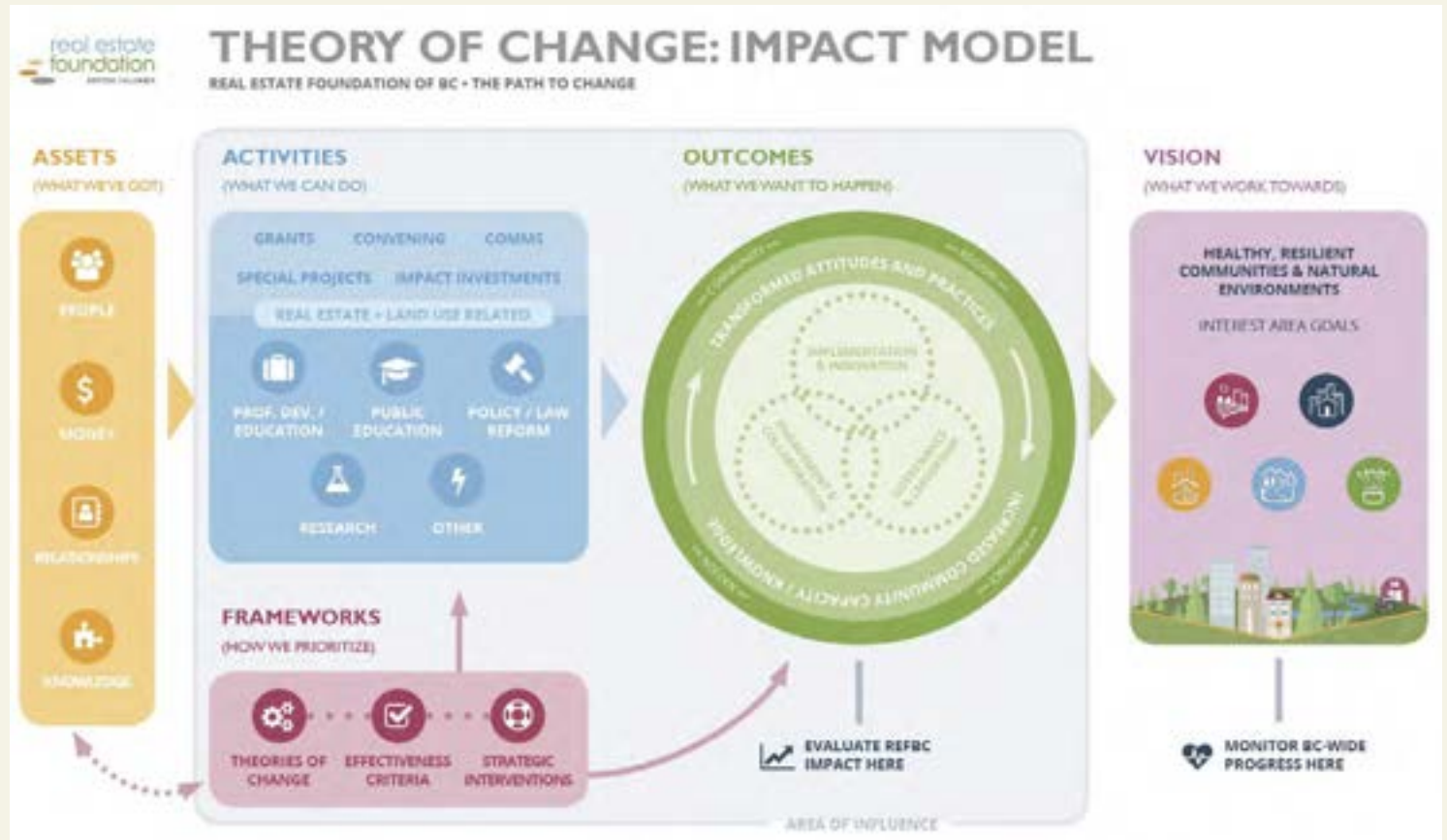
## **Seek collective impact**

Involve your beneficiaries, include partners. You can't achieve this alone.

**TOC**  
**Example**



# TOC Example



# How to Use a Theory of Change

A theory of change is a very versatile tool.

## Storytelling

A logical, visual model and / or a written narrative. Use it to structure your elevator pitch, or answers to questions from funders, investors, and community.

## Decision Making

Anchor your decisions on intended outcomes from your theory of change

## Strategic Planning

Use a theory of change as a foundational strategic document which clearly communicates how and why your work will bring about change. Connect it to operations using Objectives and Key Results (OKRs).

## Impact Measurement

Your theory of change is the starting point for good measurement. It identifies exactly what you should be measuring.

## Community, Organization, or Program

Use it to map 1) a community or systemic initiative with multiple stakeholders, 2) your organizational strategy, or at an operational level 3) a program.

# Impact Measurement and Theory of Change

Focus measurement efforts on identifying and measuring indicators for the outputs and outcomes in your Theory of Change.



## Output indicators show progress:

- Quantity of activity
- Takeup of services / products
- Type of people or groups who access your activities
- Quality of activity
- Satisfaction with activity

## OUTPUTS

Early indicators for the outcomes you choose to address.

Immediate effects and results of your interventions.

Usually eas(ier) to measure.

Shows **progress**.

## OUTCOMES

The desired state if you are successful.

This is how change would look for your stakeholders / beneficiaries.

Change that you influence but not control.

Shows **change**.

## Outcome indicators show change:

- Behaviour
- Attitudes
- Condition
- Capacity
- Knowledge



# Theory of Change Template

Impact Statement:



INPUTS

ACTIVITIES

OUTPUTS

OUTCOMES

IMPACTS

**An impact model should inform the business model, not the other way around.**

# Business Model

**A business model should clarify some of the primary activities needed to support financial sustainability and ongoing social and / or environmental impact.**

## **Discussion:**

What are the primary revenue streams for your organization? How will you build revenue diversity and sustainability?

**Regardless of your impact model or incorporation model, your organization needs to be profitable in order to serve community, employees, and your social cause.**

# Incorporation Structures for Social Enterprise and SPOs

## A short summary of popular structures

Incorporation models, as part of a larger governance model, can serve as an important tool in support of an organization's' intended impact and it's financial sustainability.



# Common Incorporations for SEs and SPOS

**SEs and SPOs can operate under any  
incorporation structure.**

Each model has important, and lasting effects on the  
organization's impact model and business model.

**Charity**

**Nonprofit**

**Co-operative**

**Community Contribution Company**

**Benefit Corporation**

**Corporation**

# What is a social enterprise?

**There is no agreed definition of a social enterprise.**

A social enterprise is “an organization that seeks to achieve **social, cultural, or environmental** aims through the **sale** of goods and services.”

The social enterprise can be **for-profit or not-for-profit (or hybrid)** but the **majority of net profits** must be directed to a social objective with limited distribution to shareholders and owners.

## Legal status

Social enterprise is not a legal expression in Canada

## Tax status

Social enterprise is not addressed in the federal Income Tax Act

## Practitioner driven

Definitions are fluid, and based on experience of practitioners, not legal definitions

## Incorporation agnostic

There is no ‘right’ or ‘wrong’ structure.

# What is a social purpose organization?

**An SPO is a broad, inclusive term for organizations who participate in the social economy.**

“A social purpose organization can be a charity, non-profit, co-operative, or social enterprise. In all cases, a social purpose organization is advancing a social, cultural or environmental mission.”

- Community Foundations of Canada

## Legal status

Social Purpose Organization is not a legal expression in Canada

## Tax status

Purpose organization is not addressed in the federal Income Tax Act

## Practitioner driven

Definitions are fluid, and based on experience of practitioners, not legal definitions

## Incorporation agnostic

There is no 'right' or 'wrong' structure.



1st

## PURPOSE

Impact orgs exist to address environmental, social, and / or cultural challenges

\$192B

## MONEY

The impact sector is at least 8.4% of Canada's GDP - nearly as large as oil, gas, and mining combined.

1/3rd

## MOVEMENT

1/3rd of startups globally have social good as their core mission. Canada has the 2nd largest NPO economy (170K) in the world and employs 2.4M people.

61.8%

## INVESTMENT

\$3.2T Canadian investment assets under management screened for responsible investments / ESG; the highest proportion in the world

**Your impact model should guide your  
business model. Both should guide your  
incorporation model.**

**Not the other way around.**

**We are not lawyers or accountants. Please  
consult a professional for legal or  
accounting advice.**

# Incorporation Structures

**Incorporation structures commonly used for social enterprises in Canada; Benefit Corporations and C3s are specific to B.C.; CICs are similar to C3s in Nova Scotia.**

## Nonprofit with charitable purposes

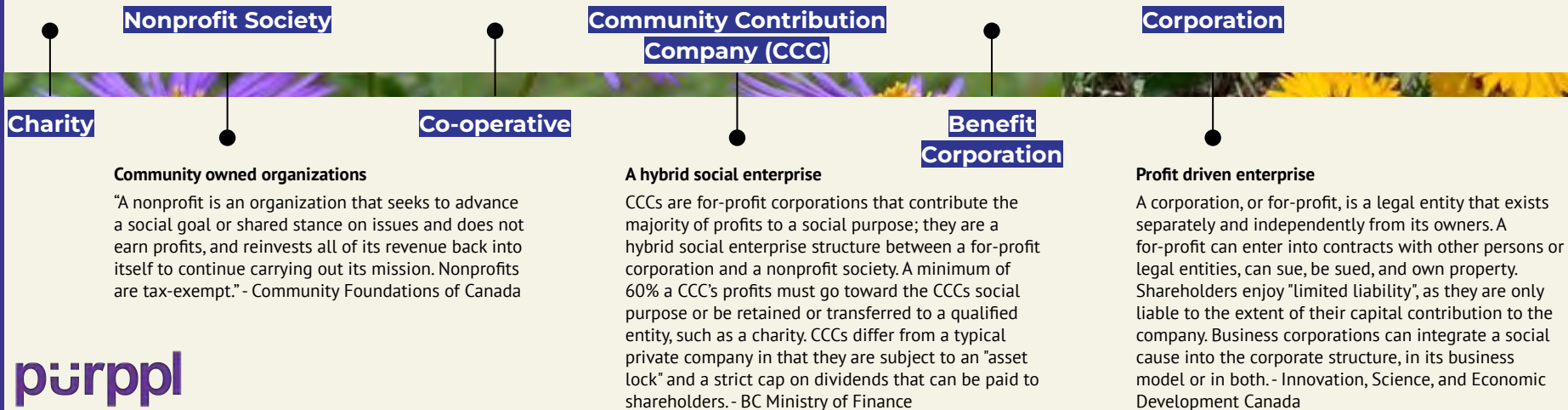
"A charity is a nonprofit organization that uses its resources for charitable activities that benefit the community, such as poverty relief, the advancement of education or other types of social, cultural or environmental causes. Charities must be registered with the Canada Revenue Agency to issue official donation receipts and be tax-exempt. All charities are nonprofit organizations, but not all nonprofit organizations are charities." - Community Foundations of Canada

## Member owned organizations

"A co-op is a cooperative society, business, or enterprise, owned and operated by and for the benefit of its members. Co-ops address a community's unmet needs and can change accordingly. They help promote the interests of those who can accomplish more collectively than they could individually." - Community Foundations of Canada

## 'Responsible and sustainable' corporation

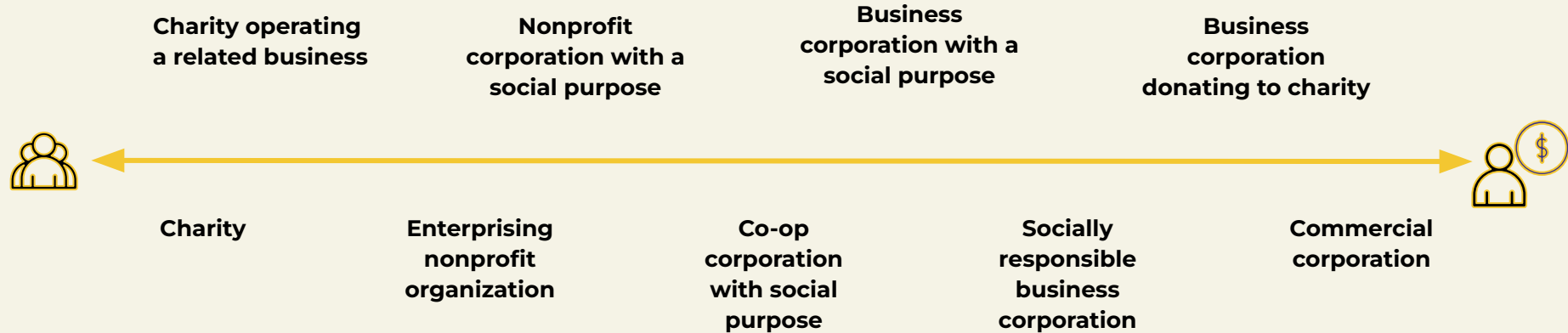
"A benefit company is a for-profit company that commits to conducting its business in a responsible and sustainable way. It must also promote one or more public benefits. Benefit companies choose what type of public benefit they want to promote. Public benefits must have a positive effect for a group of people (other than business shareholders), communities, organizations, or the environment." - BC Ministry of Finance



# Spectrum of Social Enterprises in Canada

Social enterprises and SPOs do not have a specific incorporation model and can be operated in whichever form or forms suit your impact model and business model.

Certifications are sometimes confused with incorporation models - Buy Social, B Corp, Imagine Canada and more.



# Incorporation Considerations

Impact model, business model, ownership and control, and capital and risk are primary incorporation considerations for social enterprises and social purpose organizations.

## Impact Model

What are the intended outcomes -what change do you want to see, why? How will it happen? Who will benefit? Profit motivations may require more flexibility, higher impact focus may demand charity or nonprofit.

## Ownership & Control

Who should share the profit, wealth, or value which is created? Who should have decision making control, governance oversight, and ownership? Consider founders, board, members, shareholders, community, and more. Who will take ongoing responsibility, and responsibility for future generations? Favourable tax treatment = less control.



## Business Model

What product or service will you sell? Who will pay? What are the primary revenue streams? Need ongoing grants? Investors? SEs and SPOs often have grants, donations, and customer revenue; customer revenue is the only one which can be predictable long term. If profitability will be difficult, may need to be nonprofit.

## Capital & Risk

Higher capital needs can suggest for-profit. Who will take the risk to start? And ongoing? Who will take the liability - shareholders, members, board? Is an existing organization willing to take on the risk of a new initiative? How much capital is needed at startup, ongoing?

# A Few Examples



ISLAMIC FAMILY  
& SOCIAL SERVICES  
ASSOCIATION



# Business Model

## Water Rangers

- Sell water testing equipment
- Services data, training, engagement, reporting
- Grants, donations, philanthropy

## Islamic Family

- Grants, donations, philanthropy
- Sell services to gov't like refugee settlement
- Selling software

## kinSHIFT

- Workshops
- Trainings
- Coaching
- Grants, donations, philanthropy

## Victory Gardens

- Design & build
- Coaching
- Education (classrooms)
- Maintenance
- Grants

## BBBS CSI

- Sell used clothing to Value Village
- Grants, donations, philanthropy

## Kekuli Cafe

- Fast casual
- Takeout / delivery
- Franchising

# Incorporation Structure

## Water Rangers

- Not-for-profit

## kinSHIFT

- Not-for-profit with charitable status
- A program of a very large charity

## BBBS CSI

- Not-for-profit with charitable status

## Islamic Family

- Not-for-profit with charitable status
- Subsidiary for-profit

## Victory Gardens

- For profit workers co-op

## Kekuli Cafe

- For-profit

# Charities

## All charities are nonprofits, all nonprofits are not charities.

“A charity is a nonprofit organization that uses its resources for charitable activities that benefit the community, such as poverty relief, the advancement of education or other types of social, cultural or environmental causes. Charities must be registered with the Canada Revenue Agency to issue official donation receipts and be tax-exempt. All charities are nonprofit organizations, but not all nonprofit organizations are charities.” - Community Foundations of Canada

There are four broad categories of charitable purpose.

### Relief of poverty

Means to bring relief to those experiencing poverty. People experiencing poverty are those who lack the basic necessities of life or simple amenities available to the general population

### Advancement of education

Includes training that provides knowledge or develops abilities, and that improves a useful branch of human knowledge through research

### Advancement of religion

Can include establishing and maintaining buildings for religious worship and other religious use, organizing and providing religious instruction, or carrying out pastoral and missionary work

### Other purposes beneficial to the community

Can include health, arts, environment, children and youth, disability, seniors, public amenities, promoting commerce or industry, gifting to qualified donees.

# How charities carry out business activities

It's increasingly necessary and common for a charity to have a related or unrelated social enterprise.

## Related Business

A business operated by a charity and related to its charitable purposes.

- business **must be substantially run by volunteers** or
- a business that is **linked and subordinate** to the charity's charitable purpose

Usually run inside the charity.

## Unrelated Business

A business unrelated to the charity's charitable purposes.

- charity can carry on an unrelated business but must be operated **through a separate entity**, such as a subsidiary corporation or a partnership
- profits from the unrelated business must be used for charitable purposes
- charity must pay income tax on the profits earned from the unrelated business (75% can be donated to the charity)
- Strict separation of entities and assets required

# Linkage Test

**To be linked the nature of the business has to have direct connection to the purpose of the charity**

Charities considering social enterprise activity should consider this linkage test.

## **Business activities that supplement charitable activities**

Necessary for the effective operation of charity or improve the quality of service delivered by the charity. EG Hospital parking lot or gift shop.

## **Business activities that are by-products of charitable activities**

Charitable activity creates, as a by-product, goods or services that can be sold. EG food hub sells compost

## **Business activities that use excess capacity of a charity**

EG recovery house has a commercial kitchen to feed residents, rents excess kitchen capacity

## **The sale of items that promote the charity or its purpose**

EG charity sells tee-shirts with their logo on them

# Other Considerations for Charities

## To be linked the nature of the business has to have direct connection to the purpose of the charity

Charities considering social enterprise activity should consider this linkage test.

### **Subordination**

Business is a minor part of overall operations and is integrated, rather than separate. Organization continues to operate and make decisions strictly for charitable purposes.

### **Employment related training**

Employment based social enterprise offering training, limited time employment, placement assistance, and employs majority of target population.

### **Business activities that use excess capacity of a charity**

EG recovery house has a commercial kitchen to feed residents, rents excess kitchen capacity

### **The sale of items that promote the charity or its purpose**

EG charity sells tee-shirts with their logo on them

# Other allowable activities

## Charities can earn money for a few other activities.

- Soliciting donations
- Selling donated goods (not thrift stores)
- Fees charged for charitable programs and services
  - to defray costs of the program, not make profit
  - comparable services are not available in market
  - fees set according to charitable goals (not market)

# Nonprofits

## Flexible, community owned organizations.

“A nonprofit is an organization that seeks to advance a social goal or shared stance on issues and does not earn profits, and reinvests all of its revenue back into itself to continue carrying out its mission. Nonprofits are tax-exempt.” - Community Foundations of Canada

It's important to note that nonprofits have to become charities if their sole purpose is entirely charitable.

**Nonprofits can earn customer revenue, but there are some important considerations.**

### Features

Nonprofits are easy to set up, well-known, have light reporting requirements, and have more flexible, but legally entrenched, broad social purposes. Nonprofits have favourable tax treatment, similar to charities.

### Purposes

A non-profit organization is an organization that operates solely for social welfare, civic improvement, pleasure or recreation, or any other purposes, except profit.

### Limitations

A non-profit cannot carry out a trade or business exclusively with the view of making a profit. It should be related and should:

- Be restricted to members, guests or other groups, operated as cost recovery, and should not compete with traditional businesses

The only exception for profit seeking is to accumulate surpluses for future acquisition of capital assets for community benefit.

# Co-operatives

**A co-operative is jointly owned by its members, and operates democratic decision-making structure and profit-sharing.**

“A co-op is a cooperative society, business, or enterprise, owned and operated by and for the benefit of its members. Co-ops address a community’s unmet needs and can change accordingly. They help promote the interests of those who can accomplish more collectively than they could individually.” - Community Foundations of Canada

**There are five common categories of co-operatives.**

## **Consumer Co-op**

A consumer co-op provides products or services to its members (such as a retail co-op, housing, financial).

## **Producer Co-op**

A producer co-op processes and markets the members’ (such as independent entrepreneurs, artisans, or farmers) goods or services and often focuses on economies of scale.

## **Worker Co-op**

A worker co-op provides employment for its members. In this type of co-op, the employees are the members and the owners of the enterprise.

## **Multi-Stakeholder Co-op**

A multi-stakeholder co-op serves the needs of different stakeholder groups—such as employees, clients, and producers. Usually found in health, home care and other social enterprises.

## **Other Co-ops**

Housing co-ops, financial co-ops, and community service coops are also common.

# Key Co-op Principles

**Cooperatives around the world operate according to the same set of core principles and values.**

1. Open and voluntary membership
2. Democratic member control
3. Members' economic participation
4. Autonomy and independence;
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community

# Co-op Considerations

**Cooperatives around the world operate according to the same set of core principles and values.**

- Typically organized around profit and taxed like a corporation
- Primarily serve members (and community)
- Investment shares enable capital raising from members or investors; investors usually don't get voting rights
- Asset lock is possible
- Governance and member management can be difficult
- No limits on profit
- Patronage dividends based on usage
- Limits on dividends based on articles; the rest stays in co-op or directed to social purpose

# Community Contribution Companies

## A true hybrid structure, unique in Canada

CCCs are for-profit corporations that contribute the majority of profits to a social purpose; they are a hybrid social enterprise structure between a for-profit corporation and a nonprofit society. CCC's have asset-lock restrictions and dividend caps that keep the majority of their assets within the voluntary sector.

### Features

Taxable corporation with unique features.

- A minimum of 60% of a CCC's profits must be directed towards its social purpose, be retained, or transferred to a qualified entity.
- CCCs are subject to an "asset lock" which puts major restrictions on transfer of assets both in operation and in dissolution
- There is a strict cap (40%) on dividends that can be paid to shareholders. No cap if owned by a qualified entity (comm. service coop or charity).
- Flexible share structure, oriented for profit, transparency requirements of a nonprofit, and a legal obligation for social purpose. Credibility as a social enterprise.

### Purposes

Broad range of allowable activities, community purpose is legally entrenched. "Community purpose" means a purpose beneficial to (a) society at large, or (b) a segment of society and includes health, social, environmental, cultural, educational or other services

### Limitations

Despite the asset lock and enshrined social purpose, there is little financial benefit for shareholders or investors.

**CCCs are a bold call to build a sustainable, regenerative, just economy.**

**They mirror the enshrined social purpose and transparency of a nonprofit while preventing the worst extractive behaviours of a corporation.**

# CCC Context

## Modeled from the UK's Community Interest Company (CIC)

CCCs were launched in 2013 in BC, and similar CICs were launched in NS in 2016.

By design, they enshrine social purpose in a corporation which can't be removed by shareholders. It's meant to be a true hybrid organization that enables profit and wealth building while deepening social impact.

If a charity wants an unrelated business, a CCC can enable 100% of profits to be distributed to the charity.

Other important features of CCCs:

- One or more shareholders possible
- Minimum three directors
- Purposes are much broader than charities or nonprofits, and are enshrined unlike corporations
- Taxed like a normal corporation
- CCC report must be produced each year

### Asset Transfers

'Prohibited from transferring assets for less than fair market value, unless transfer furthers community purposes, or is to qualified entity. On dissolution, a minimum 60% of assets must be distributed to qualified entity. Nothing can be transferred, in operation or upon dissolution, to a person related to the company.

### Reporting

An annual report must be produced detailing:

- Impact activities
- Annual financial statements
- Staff positions paying \$75K or more
- Dividends declared.
- Asset transfers

# Why CCCs?

## CCCs are compelling for a few reasons

- For-profits can demonstrate commitment to impact and wealth distribution; this limits extractive behaviour
- Charities and nonprofits can have an unrelated business which enshrines community purpose and can donate 100% of profits to the society
- Majority of assets stay in the charitable sector
- Can enable ownership of profitable, wealth building assets with clear community benefit
- Flexible share structure

# What's needed?

There are also clear gaps around CCCs

- Charities and nonprofits need more clarity and better alignment with operating unrelated businesses through CCCs
- BC gov't needs to increase awareness, education, and support for CCCs
- Increased transparency, asset lock, and dividend caps, should be paired with preferential tax and investment treatment
- A national approach to hybrid incorporation structure across jurisdictions
- Traditional corporations should have increased social expectations based on the privileges of the structure

# BC Benefit Corporations

## Responsible and Sustainable Corporations

“A benefit company is a for-profit company that commits to conducting its business in a responsible and sustainable way. It must also promote one or more public benefits. Benefit companies choose what type of public benefit they want to promote. Public benefits must have a positive effect for a group of people (other than business shareholders), communities, organizations, or the environment.” - BC Ministry of Finance

### Features

Taxable corporation with unique features.

- enables corporations to conduct business for a public benefit purpose and allows directors to act in the best interest of the public (this is sort of already true in Canada)
- No preferential tax treatment
- No limits to dividends
- Minimum one director required
- Flexible share structure, oriented for profit, increased transparency requirements
- Legal obligation for social purpose, quite flexible

### Purposes

Must conduct their business in a responsible and sustainable manner, while promoting one or more public benefits. Public benefits must have a positive effect for a group of people (other than business shareholders), communities, organizations, or the environment.

### Limitations

Limited benefit or credibility as a social enterprise. Potential for conflicts between profit and social/environmental goals. Social goals can be changed by shareholders.

Incorporation Structure	Charity	Nonprofit	Co-operative	Community Contribution Company	Benefit Corporation	Corporation
<b>Impact Model</b>						
<b>Primary Purpose</b>	Four narrow purposes including poverty, education, religion, or other purposes beneficial to community. Highly regulated and legally entrenched..	Operates solely for social welfare, civic improvement, pleasure or recreation, or any other purposes, except profit. Social purpose is legally entrenched.	Co-ops can vary from profit seeking, to member benefit, to non-profit, called community service coops. Some community service co-ops can apply for charitable status.	Broad range of allowable activities, community purpose is legally entrenched. "Community purpose" means a purpose beneficial to (a)society at large, or (b) a segment of society and includes health, social, environmental, cultural, educational or other services	A BC benefit company is a for-profit companies that must conduct their business in a responsible and sustainable manner, while promoting one or more public benefits	Organized for the purpose of making a profit, can have a social or environmental mission, can be structured to prioritize these goals over maximizing profit
<b>Ownership</b>	Members form the "membership" of the company but do not own the corporation Typically, members have one vote.	Members form the "membership" of the company but do not own the corporation Typically, members have one vote.	Members collectively own the entity. A member of a co-operative carries one vote regardless of the number of shares they possesses. Different shareholder classes can exist.	Shareholders own the entity and receive dividends. Shareholders have votes proportional to the type and number of shares they have purchased	Shareholders own the entity and receive dividends. Shareholders have votes proportional to the type and number of shares they have purchased	Shareholders own the entity and receive dividends. Shareholders have votes proportional to the type and number of shares they have purchased
<b>Typical SE or SPO focus</b>	Social	Social	Commercial and Social	Social and Commercial	Commercial and Social	Commercial
<b>Transparency Requirements</b>	Annual report to members. Financials publicly available.	Annual report to members.	Annual report to members.	Annual report, including financials, available publicly.	Required to publicly issue a benefit report each year assessing how they carried out their activities against a third-party standard.	Annual report to shareholders.

Incorporation Structure	Charity	Nonprofit	Co-operative	Community Contribution Company	Benefit Corporation	Corporation
Business Model						
<b>Profit and Scale Orientation</b>	<p>Systemic barriers in place to restrict profit and scale.</p> <p>A charity can run a “related business” which is a business substantially carried on by volunteers or that is linked and subordinate to one of its purposes.</p>	Systemic barriers in place to restrict profit and scale.	Most are profit oriented, but dividend limits apply based on articles of incorporation.	Setup to enable profit and scale. Strict, unchangeable dividend restrictions apply to dividends and assets.	Setup for profit and scale.	Setup for profit and scale.
<b>Tax Treatment</b>	<p>Can issue official donation receipts for income tax purposes. Exempt from income tax. Must pay GST/HST on purchases, partial rebate.</p>	Cannot issue donation receipts. Generally exempt from income tax, may pay on property income or capital gains. Must pay GST / HST on purchases, partial rebate if significant gov’t funding	No preferential tax treatment.	No preferential tax treatment.	No preferential tax treatment.	No preferential tax treatment.
<b>Dividends</b>	No dividends	No dividends	Dividends may or may not be issued although there are legislative limits. Bylaws can place additional limits (although can be changed)	40% mandated cap on dividend distribution to shareholders. This maximum cannot be changed.	No limits.	No limits.

Incorporation Structure	Charity	Nonprofit	Co-operative	Community Contribution Company	Benefit Corporation	Corporation
<b>Ownership and Control</b>						
<b>Directors</b>	Minimum 3, 25% minimum have to be Canadian residents	Minimum 3, 25% minimum have to be Canadian residents	Minimum 3, 25% minimum have to be Canadian residents. Two thirds must be members or shareholders.	Minimum 3	Minimum 1	Minimum 1
<b>Ownership</b>	Members form the "membership" of the company but do not own the corporation Typically, members have one vote.	Members form the "membership" of the company but do not own the corporation Typically, members have one vote.	Members collectively own the entity. A member of a co-operative carries one vote regardless of the number of shares they possesses. Different shareholder classes can exist.	Shareholders own the entity and receive dividends. Shareholders have votes proportional to the type and number of shares they have purchased	Shareholders own the entity and receive dividends. Shareholders have votes proportional to the type and number of shares they have purchased	Shareholders own the entity and receive dividends. Shareholders have votes proportional to the type and number of shares they have purchased
<b>Asset Lock</b>	Assets may not flow into private hands for private interests. Upon dissolution, assets must flow to a qualified donee.	Assets may not flow into private hands for private interests. Upon dissolution, assets must flow to a qualified donee.	Can institute an asset lock upon dissolution. Based on articles of incorporation.	Prohibited from transferring assets for less than fair market value, unless transfer furthers community purposes, or is to qualified donee. On dissolution, a minimum 60% of assets must be distributed to qualified donees	No mandated restrictions.	No mandated restrictions.
<b>Wealth Building</b>	Systemic barriers exist that prevent wealth generation. Wealth accrues to community, rather than members or shareholders.	Systemic barriers exist that prevent wealth generation. Wealth accrues to community, rather than members or shareholders.	In general, a membership share may not increase in value. It can usually only be redeemed by the coop at its par value. Some legislation allows for investment shares (non-par value) to members and/or non-members.	A common share may increase in value. A shareholder may sell their shares to another person at an agreed upon price. Dividends are limited to 40% of profit.	A common share may increase in value. A shareholder may sell his or her shares to another person at an agreed upon price.	A common share may increase in value. A shareholder may sell his or her shares to another person at an agreed upon price.

Incorporation Structure	Charity	Nonprofit	Co-operative	Community Contribution Company	Benefit Corporation	Corporation
<b>Risk and Capital</b>						
<b>Access to impact investment</b>	Access to debt, revenue based financing or similar.	Access to debt, revenue based financing or similar.	Access to debt, revenue based financing or similar. Co-ops can also issue non-voting "investment shares" to raise capital.	Access to debt, revenue based financing, equity. With such strict limits on dividends, and an asset lock in place, equity is difficult to attract.	Access to debt, revenue based financing, equity.	Access to debt, revenue based financing, equity.
<b>Capital Mix / Sources</b>	Grants, philanthropy, earned income	Grants (fewer than charities), earned income	Grants (fewer than nonprofits and charities), customer revenue	Customer revenue, business grants, occasional social enterprise grants	Customer revenue, business grants	Customer revenue, business grants
<b>Other</b>						
<b>Popularity</b>	86,000+ in Canada	170,000+ in Canada (includes registered charities)	6,000+ in Canada	Very few in BC.	Very few in BC.	1.2M in Canada, 98% are small businesses with less than 100 employees
<b>Advantages</b>	Credibility. Ability to issue tax receipts for donations, eligibility for government grants and funding	Credibility. Ability to apply for charitable status, tax benefits, limited liability for members	Members share in profits and decision-making, flexible governance structure, ability to pursue social and environmental goals	Credibility as an SE. Ability to generate revenue from business activities, legal obligation for social purpose and wealth distribution, flexible ownership and governance structure.	Ability to generate revenue from business activities, legal obligation for social purpose, flexible ownership and governance structure	Ability to generate revenue from business activities, flexible ownership and governance structure
<b>Limitations</b>	Limited ability to generate revenue from business activities, strict compliance requirements, limited flexibility in governance structure	Limited ability to generate revenue from business activities, strict compliance requirements, limited flexibility in governance structure. Limited grants	Limited access to capital, potential for disputes among members	Dividend and asset distribution requirements paired with limited financial benefit to shareholders or investors.	Limited benefit or credibility as a social enterprise. Potential for conflicts between profit and social/environmental goals. Social goals can be changed by shareholders	Expectation to maximize profit for shareholders, potential for conflicts between profit and social/environmental goals. Social goals can be removed by shareholders

# Decision Making

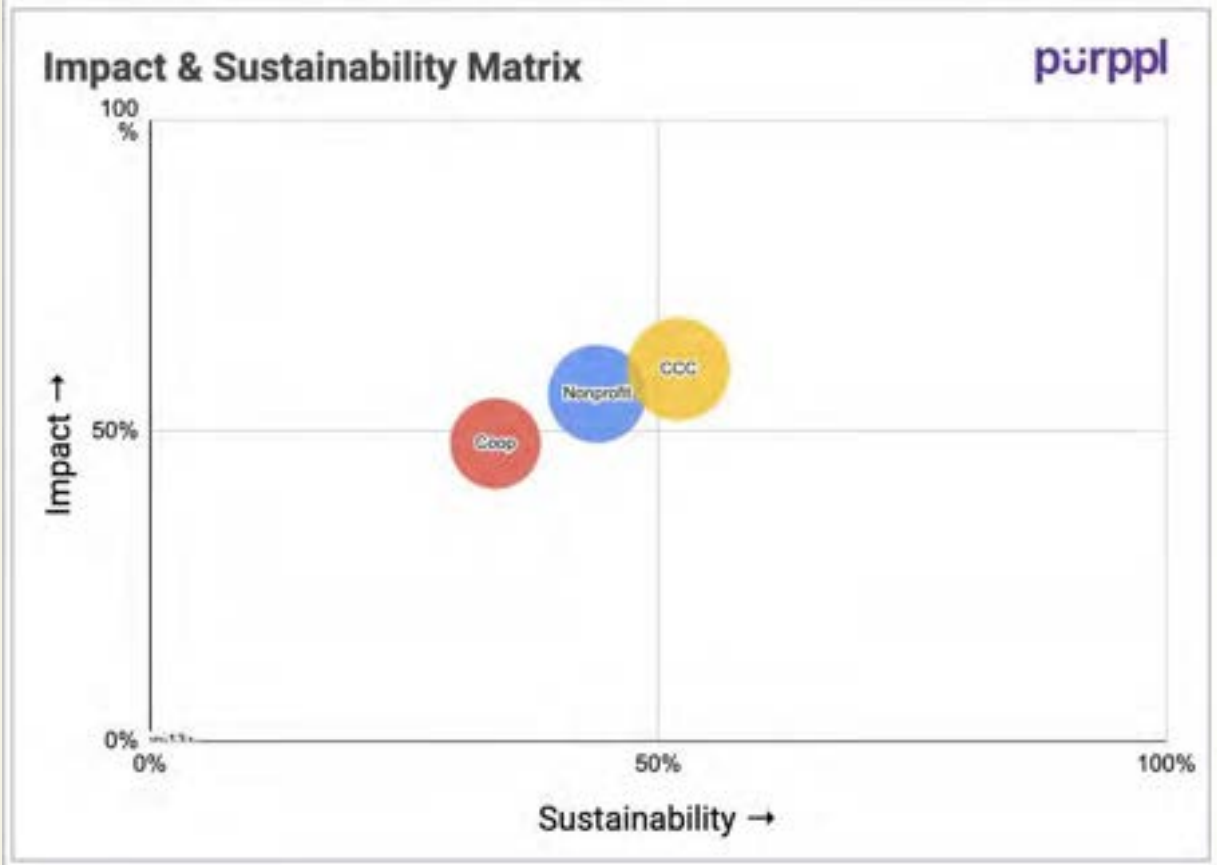
## **Make decisions based on impact and sustainability**

Use a decision making matrix to build a transparent, repeatable process for decision making about strategy, incorporation, business models, operations, and more.

**purposeful people**



Impact Statement:		SCALE	5 = Excellent	4 = Good	3 = Majority Satisfactory (good enough)	2 = Minimum Satisfactory (some)	1 = Poor or Nothing	purppl	
		Weight	Nonprofit	Coop	CCC	Benefit Corp	Corporation		
<b>Impact Criteria</b> - These are mirrored directly from the Outcomes column in your Theory of Change. The intention is that intended outcomes should be considered when making strategic and operational decisions.									
Impact		5	4	2					
Impact		5	5	2					
Impact		5	3	2					
Impact		5	1	5					
Impact		5							
<b>Weight</b>	<b>50%</b>	<b>125</b>	<b>65</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
			<b>52%</b>	<b>44%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Incorporation Considerations</b> - Consider impact model, business model, ownership and control, and risk and capital needs. The list below are somewhat common but expected to be customized for the specific context of your organization.									
Business Model	Revenue enabling (5=long term, regenerative, recurring, 1=short term, extractive, limited control)	5	5	2					
Ownership	Wealth building (5=accrues to community, 1=accrues to owners)	5	2	3					
Control	Decision making control (5=Community, 1=Individuals or owners)	5	1	2					
Capital	Enables needed capital investment / grants (5=enabling, 1=limiting)	5	4	3					
Risk	(5=risk is acceptable by owners / members, 1=owners / members won't take on the risk)	5	5	2					
Sustainability	Energy (5=energizing, 1=draining)	5	2	3					
Alignment	Aligned to vision (5=very aligned, 1=Not aligned)	5	3	2					
<b>Weight</b>	<b>50%</b>	<b>250</b>	<b>180</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
			<b>72%</b>	<b>46%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>TOTAL</b>			<b>118</b>	<b>84</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MAX SCORE</b>			<b>187.5</b>	<b>62%</b>	<b>45%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>



# Principles and Practices

**Decision making demands care and a principled approach.**

**Balance** - make decisions balanced with your intended outcomes (impact) and financial and operational sustainability

**Inclusive** - involve others in discussion about weighting and scoring

**Transparent** - use the scores and chart to help communicate options and decisions

**Weight** - Allow some criteria to be weighed more heavily than others

**Strategic and Operational** - Use the tool to assist with both strategic and operational decisions

**Empower** - Enable your team with a clear framework for their decision making and communication

# Learning and Resources

There is a lot of information available about all of the incorporation models.

- Summaries and Comparisons
  - Innovation, Science, and Economic Development Canada - [Start, Build, and Grow a Social Enterprise](#) (fantastic summary with lots of detail in the links)
  - BC Gov't - [Types of Corporations](#) (including Benefit Corp and CCC)
  - [BC Business Corporations Act](#) - includes definitions of CCCs and Benefit Corps
  - Futurpreneur - [Choosing a Legal Structure for a Social Purpose Business](#)
  - BC Centre for Social Enterprise [Legal Structures Slide Deck](#) (2013)
- Charities and Nonprofits
  - Gov't of Canada - [Difference between a charity and a nonprofit](#)
- Co-operatives
  - Gov't of Canada [Information Guide of Co-operatives](#)
  - Cooperatives First - [Types of Cooperatives, 12 Myths About Co-ops](#)
- CCCs
  - Centre for Social Enterprise - [CCC Summary](#)
  - BC Min of Finance - [CCC Registration Announcement](#)
  - The Philanthropist Journal - [“Hybrid Organizations, The Canadian Landscape”](#)
  - Cape Breton University - [BC C3 Research Study](#)
- Benefit Companies
  - Centre for Social Enterprise - [Benefit Company Summary](#)
  - Fasken - [Business with a Heart of Gold - The New BC Benefit Companies](#)

# Social Enterprise Legal Clinic

**Purppl is not a professional legal or accounting firm.**

Purppl highly recommends speaking to both legal and accounting professionals about legal structures, tax implications, and more for social enterprises and social purpose organizations.

Lawson Lundell offers complimentary first sessions with folks who have questions about legal structures for social enterprises and social purpose organizations. To book a session, please complete this form and they will pair you with an appropriate professional for an initial conversation.

[Book an appointment.](#)



# About Purppl

**We build social impact,  
together.**

Purppl coaches, consults and collaborates with social entrepreneurs and impact leaders to build regenerative enterprises and initiatives that address systemic inequity.

Our team of experienced Entrepreneurs In Residence (EIRs) works with you to build skills and confidence through leadership development, impact strategy and measurement, business analysis, revenue development, operations and process improvement.

Our vision is a just, regenerative economy that advances collective wellbeing and the health of air, land and water.



purposeful people

# What's Next?

## Let's Connect.

Let's build social impact, **together.**

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Managing Director

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