

## COCO INFO-SHEET



COCO – The Centre for Community Organizations  
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# Creating a New Branch For Your Organization

## **Introduction**

This info-sheet provides legal information for non-profit organizations (NPO) that wish to establish a new branch of their organization. The information provided targets both provincially and federally incorporated NPOs and lists the basic rules to follow to set up a second branch.

## **How can we decide whether we should create a sister organizations?**

Deciding whether to establish a new branch of your NPO will depend on a number of factors. You may feel that your current operations are stable and that there is another area that could benefit from your organization's assistance. Perhaps your organization will be in a financially suitable position to help out an under-served area.

Other factors that your organization will want to consider include:

- How will the new branch operate? What measure of organization control will the original NPO have regarding the new branch?
- Although the same values and vision may underline the mandate, are the needs of the members different?
- Will the mandate of the new NPO be the same as that of the original NPO?
- How much will it cost to open the new branch? What financial assistance is available in the new location?
- Is there a need for your services in other regions?

## **Provincially Incorporated NPOs**

### **How do we create a sister organization for our provincially incorporated NPO**

NPOs incorporated in Quebec have two options available to create a second branch.

#### **PUBLISHED 2012**

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**Option 1:** The first option is for an organization to create another branch by adding another name. This is done by updating your file with the Enterprise Registrar of Quebec (REQ). Although these two branches have separate names, they remain the same organization (legal entity) and therefore share the same mission.

To add another name and branch to the NPO, an amendment to the "acte constitutionnel" must be made include an agreement or declaration between the branches. The Enterprise registrar of Quebec (REQ) does not require a fee for this procedure. The REQ website explains how to update an NPO's file:

### **REQ Website**

*Filing an updating declaration*

[http://www.registreentreprises.gouv.qc.ca/en/modifier/mettre\\_a\\_jour/mettre-a-jour-votre-dossier.aspx](http://www.registreentreprises.gouv.qc.ca/en/modifier/mettre_a_jour/mettre-a-jour-votre-dossier.aspx)

The second branch is a subsidiary organization and is controlled by the first one as long as it holds over 50% of the votes to elect the board of the new branch.

**Option 2:** This option involves the creation of a new NPO under regular incorporation rules. The second branch would be controlled by its own membership rather than by the original organization. Since the organizations would be legally separate, it is up to the organizations to define their own mandate and by-laws. However, if these two organizations are considering themselves to be linked and connected to the same values and visions, there will need to be clear communication and agreement to determine this connection. This could take the form of regular meetings and agreements or else they can decide to draft a memorandum of agreement, which is a contract stating how their missions are connected. This may be a better option for groups who feel that the mandates need to be modified due to the particularities and needs of a particular region.

For information on how to incorporate a non-profit organization in Quebec, see:

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### ***COCO Info-Sheet***

#### ***Incorporation of a Non-Profit Organization in Quebec***

[http://coco-net.org/sites/default/files/incorporation\\_infosheet.pdf](http://coco-net.org/sites/default/files/incorporation_infosheet.pdf)

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## **Federally Incorporated NPOs**

Please note: the new *Canada Not-For-Profit Act* is now in force. If your federal non-profit organization was incorporated under the former *Canada Corporations Act*, you will need to transition to the new Act before October 17, 2014.

### ***Corporations Canada Transition Guide***

#### ***Guidelines for federal not-for-profit corporations***

[http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs04954.html](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04954.html)

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## **We want to create a new branch for our federally incorporated NPO : What do we do?**

To create another branch, an NPO must create a new, separate corporate entity. The new branch will need to be incorporated under the new Act. For more information on how to incorporate under the new Act, see:

### ***Corporations Canada Guide to New Legislation***

#### ***Corporation Canada's Guide to new Canada Not-for-profit Corporations Act***

[http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs04953.html](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04953.html)

The two NPOs are not legally linked by their articles of incorporation but the two will be organizationally linked by their similar mandate.

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## **What other forms will we need to send to Corporations Canada?**

The name of the new branch will likely be similar to the name of the original NPO. Because of the similarity, pre-approval for this new name will be required. Consent must be requested

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from Corporations Canada by submitting a consent letter. For examples of consent letters, see:

### ***Corporations Canada Sample Consent Letters***

*Sample consent letters for request of new organization name*

<http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04536.html>

When Corporations Canada responds to the consent request, they will indicate which specific regulation pertains to this form of branching out. This will indicate which steps are required to complete this procedure.

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