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## Ministry News

May 12, 2010

### Strengthening Ontario's Not-for-Profit Sector *McGuinty Government Introduces Not-For-Profit Corporations Act*

#### NEWS

Ontario is taking action to make it easier for not-for-profit corporations to operate and do business in today's marketplace while strengthening the economy and creating jobs.

Ontario's not-for-profit sector employs about 16 per cent of all employed Ontarians and generates nearly \$50 billion in annual revenues. The province's proposed Not-for-Profit Corporations Act would, if passed, provide Ontario's 46,000 not-for-profit corporations with a modern, legal framework to:

- enhance corporate governance and accountability
- simplify the incorporation process
- give more rights to members
- better protect directors and officers from personal liability.

The proposed changes are based on extensive consultations across the province. This includes three consultation papers, a web advisory panel and regional workshops in Ottawa, London, Toronto and Thunder Bay attended by more than 200 organizations.

Supporting Ontario's non-profit organizations is an important part of the government's Open Ontario plan to grow key sectors of the economy and create a climate where business can thrive.

#### QUOTES

"Not-for-profit corporations make remarkable contributions to our society and help build a stronger Ontario. This legislation would modernize and strengthen the growing not-for-profit sector while enhancing accountability and transparency."  
— Sophia Aggelonitis, Minister of Consumer Services.

"The changes in the proposed *Not-for-Profit Corporations Act* recognize the economic and social significance of the not-for-profit sector. These proposed changes are an important part of our government's commitment to strengthening these organizations." — Dr. Eric Hoskins, Minister of Citizenship and Immigration.

"Ontario's non-profit and charity lawyers are very pleased to see this long-awaited Act. This legislation will bring corporate law and governance into the modern era and will meet the sophisticated needs of thousands of charitable and non-profit corporations in Ontario, helping them to operate more efficiently and effectively."  
— Clifford S. Goldfarb, Chair, Charities and Not-for-Profit Section, Ontario Bar Association.

#### QUICK FACTS

- The current Corporations Act was enacted in 1907 and last updated in 1953.
- Almost 8 million people volunteer for not-for-profits in communities across Ontario.

#### LEARN MORE

- [See what else the government is doing to make things faster and friendlier for business.](#)
- Read more about the [Ministry of Consumer Services](#).

#### **For more information:**

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## **Backgrounder**

### **Ontario's Not-For-Profit Corporations Act**

The proposed Not-for-Profit Corporations Act would provide a modern legal framework that addresses the needs of today's not-for-profit corporations in Ontario.

#### **Main highlights of Ontario's proposed Not-for-Profit Corporations Act:**

- Simplifying the incorporation process. The current incorporation process is complex and lengthy, normally taking six to eight weeks to incorporate. Under the new Act, incorporation could take only a few days.
- Enhancing corporate governance and accountability by providing a statutory duty of care for directors; and, at the same time, providing specific protection from liability for directors.
- Allowing not-for-profit corporations to engage in commercial activities where the revenues are reinvested in the corporation's not-for-profit purposes.
- Providing for a less expensive review engagement or audit exemption in appropriate circumstances.
- Harmonizing with other Canadian jurisdictions that have modern legislation, such as the Canada Not-for-Profit Corporations Act which received Royal Assent on June 23, 2009 and the Saskatchewan Non-profit Corporations Act, 1995.
- Enhancing member democracy by expanding member remedies to ensure directors are acting in the corporation's best interests.
- Increasing transparency for financial information, access to records and when disciplinary action is contemplated against a member.
- Providing directors and officers better protection from personal liability.

#### **Consultation**

The Ministry of Consumer Services undertook extensive stakeholder consultations throughout the development of the proposed Act. Three consultation papers were developed to solicit opinions and regional workshops were held in Ottawa, London, Toronto and Thunder Bay attended by stakeholders from approximately 200 organizations. The Ministry also formed a web advisory panel to engage in online consultation with key stakeholders on preliminary policy recommendations.

#### **Government's Commitment**

The proposed Not-for-Profit Corporations Act would, if passed, meet the government's commitment to business law modernization. It would also support:

- [Open for Business](#) by streamlining operational and administrative requirements and improving the processing efficiency of applications.
- [Ontario's Poverty Reduction Strategy](#) by facilitating the operations of not-for-profit corporations focused on improving housing, education, food and employment assistance.

## **Backgrounder**

### **What Others Are Saying**

Ontario is modernizing and strengthening the province's not-for-profit sector by introducing the new Not-for-Profit Corporations Act. The sector employs about 16 per cent of all employed Ontarians and generates nearly \$50 billion in annual revenues. The proposed Act, would, if passed, make it easier for Ontario's 46,000 not-for-profit corporations to operate and do business in today's marketplace.

#### **Ontario Nonprofit Network**

"The current Act has not had a major revision for almost 50 years and needs updating. We were very grateful for the opportunity for the non-profit sector to contribute to the development of modern legislation. This legislation is critical for the sector's long-term well-being."

— Lynn Eakin, Ontario Nonprofit Network

**Ontario Bar Association**

"A vibrant not-for-profit sector is an important element of Ontario's economic, social, cultural and charitable fabric. New governance legislation will directly benefit approximately 46,000 Ontario organizations operating in the sector and indirectly benefit the many more who depend on the services that these organizations provide through their volunteers, donors, employees and members."

— Wayne Gray, McMillan LLP

**SPORT4ONTARIO**

"We applaud the McGuinty government's recognition of the rich diversity and value of the Ontario not-for-profit sector and the transparent, inclusive process to solicit input on the modernization of the Ontario Corporations Act. The Ontario sport sector, which together with recreation forms the second largest not-for-profit and voluntary sector in Ontario, welcomes this highly anticipated revised legislation and looks forward to examining the proposed changes, critical to the well-being of our sector."

— Margaret Emin, Chair, SPORT4ONTARIO