

## **BY-LAWS**

### **What are By-Laws?**

In order for an organization to function smoothly and efficiently it must have internal rules and procedures. These internal rules and procedures are called by-laws. They make it possible for your entity to make binding decisions and then turn these decisions into action.

By-laws establish rules governing such issues as:

- Who can be a member of your organization?
- How often must members meet?
- How are members of the organization's Board of Directors chosen?
- How long do those directors serve?
- How many directors must agree before a decision is final?
- What officers will your organization have?
- Who is eligible to become an officer?

As you can see from the examples above, by-laws determine who has the power to make particular decisions and set forth the rules that must be followed in making these decisions. At the beginning of an organization's life, the climate is likely to be friendly and free of conflict. People have worked together to build a program and share some common goals. As the organization grows and as differences in approach become clear, disagreements are more likely to arise. Well thought-out by-laws can prevent these disagreements from immobilizing the group, because the by-laws set forth rules for taking action even though decisions may not be unanimous.

By allocating power and establishing rules for the exercise of that power, you let everyone inside and outside your organization know who may speak and act for it. Once you have established these official rules they are legally binding. However, they may be changed in accordance with the procedures set forth in the by-laws themselves.

## **WRITING BY-LAWS**

### **The Importance of Knowing What You Want**

Drafting by-laws is easy. Most lawyers can take the proper information from you and put that information in the form of by-laws that are clear and in compliance with federal or provincial law. It is the step before getting the right information to the lawyer that is more

difficult. This step requires that your organization decide who will have the power to make decisions and how the procedures for decision-making will operate.

It is important to note here that the content of the by-laws will vary slightly depending on whether your organization is incorporated under the laws of Canada or Ontario. A qualified lawyer will help you to determine

the most appropriate structure for your organization and at what level (provincial or federal) incorporation should take place, should you decide to incorporate.

A non-profit organization that is incorporated federally must include by-laws along with an application for incorporation whereas there is no similar requirement for an Ontario non-profit corporation. In the case of charitable non-profit corporations, whether federal or provincial, Canada Customs and Revenue Agency requires that you submit a copy of your by-laws when you apply for tax-exempt status. In contrast, unincorporated associations are not bound by provincial or federal laws with respect to their by-laws, but may wish to adopt by-laws that comply with one of the applicable statutes should the association decide to incorporate.

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1. The contents of the by-laws of a federal non-profit corporation are governed by section 155, Part II of the Canada Corporations Act and the Non-Profit Summary provided by Corporations Directorate, Industry Canada. The contents of the by-laws of a provincial non-profit corporation are governed by sections 129 and 130 of the Ontario Corporations Act.

## **Using the Questionnaire**

The following questionnaire is designed to help your group discuss some of the important issue you need to decide in establishing by-laws. It is not a complete list, and there may be many other things you will want to add. The completed questionnaire will provide a convenient outline for your lawyer of the by-laws you want written. The first section of the questionnaire discusses the by-laws that apply to members of the organization. The second section discusses the by-laws that apply to members of the Board of Directors and officers of the organization.

### *The Difference Between Members and Directors*

Before you begin using the questionnaire, it is important to understand the difference between the membership of a non-profit organization and the members of the Board of Directors. A not-for-profit corporation is required by law to have both members and directors each having separate and distinct powers and responsibilities. However, this legal requirement does not preclude a member or director from serving in both roles.

The Board of Directors is responsible for the management of the organization. It consists of a relatively small group of people who meet regularly during the year and who make most of the major decisions as to how the organization will operate.

In addition to the members of the Board of Directors, many groups choose to have members. The membership of an organization may be a very large group (perhaps

hundreds or thousands of people) who normally meet once a year. The major responsibilities of the members are to elect the Board of Directors and to adopt and amend by-laws, but they may have other powers in addition. Members provide several advantages to a not-for-profit organization:

- Members typically pay dues, which can provide a source of funds.
- A broad membership base may be helpful in securing funding.
- Particularly in the case of young organizations with little in the way of paid staff, members can help implement the organization's programs.
- Membership from different segments of the community ensures that a broad base of opinions will be represented and may help provide a favorable climate for the organization's programs.

There are also certain disadvantages:

- The operation of a membership organization can be time-consuming (calling meetings of the members for the election of directors or for other business as provided in the by-laws; sending proper notices of the meeting and ensuring that a quorum is present; collecting dues or enforcing other requirements of a membership; keeping in touch with the members via newsletters or other correspondence).
- A structure that gives members a large role in running the organization may be unwieldy.
- Having an open membership can potentially lead to a loss of control of the non-for-profit organization as the membership can remove the Board of Directors and replace it with another (some not-for-profits avoid this by establishing a closed membership corporation where members and directors are one and the same).

### ***The Relationship Between Board of Directors, Staff, and Volunteers***

The Board of Directors of a not-for-profit organization, and in some organizations the members, have the responsibility for making major policy decisions. Responsibility for making day-to-day decisions and for implementing policies may be assigned either to the Board, to paid staff members, volunteers, or may be divided. The division of labor depends on several factors, including the skills and interests of Board members, staff; or volunteers, the amount of time Board members are prepared to devote to the organization; and the amount of authority the Board wishes to delegate to these members.

No federal law prohibits paid staff members from serving on the Board of Directors. However, in order to keep divisions of responsibility clear, many organizations adopt this prohibition as a matter of policy. It is important to note here that *The Trustee Act* prohibits directors of charitable corporations from receiving any direct or indirect remuneration from the charitable corporation on which they serve. Thus, employees of a

charity (but not a not-for-profit organization) cannot serve on the Board of Directors except with a consent order from the Public Guardian and Trustee.

The by-laws need not spell out the responsibilities of the executive director or other paid staff members; these matters can be dealt with by the Board resolutions. However it may reduce the potential for conflict if the by-laws cover at least a few basic issues. For example:

- Who will have the responsibility for hiring staff members other than the executive director? You may want to delegate complete authority to the executive director. Or you may wish to give the executive director the responsibility for soliciting, interviewing and recommending candidates for employment, while leaving the final decision to the Board.
- Who will have the authority to fire paid staff? What standards will be used? What procedures will be followed?
- Who will be responsible for promulgating or revising job descriptions and personnel policies for staff members other than the executive director?
- Who will be responsible in the first instance for ensuring that funds are properly expended and that adequate financial records are kept? Many organizations delegate these tasks to the executive director. Others reserve them for the Treasurer.
- Who will be authorized to sign checks and other financial instruments? For example, you may want to authorize the executive director and all of the officers to sign checks, but require that each check bear two signatures. Or you may want to authorize the executive director to sign alone all checks below a specified amount, but require checks for larger amounts to bear the co-signature of one of the officers.

## **THE QUESTIONNAIRE: ISSUES FOR DECISION**

It is important to mention here that by-laws of your organization should complement the Letters Patent, which is the official document incorporating non-for-profit organizations. Since it is easier to amend your by-laws than to amend your Letters Patent, it is generally better to include those rules in your by-laws. Only if you want to make a rule difficult to change should you include that rule in your Letters Patent. As noted earlier, the content of the by-laws will vary depending on whether your corporation is governed by provincial or federal law. For your convenience, these differences have been noted in bold font.

### **PART ONE: MEMBERSHIP**

1. Who are the members of your organization going to be?

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**There is no limit on the number of members of classes of membership that a federal or provincial non-profit corporation may have. However, under the Federal Act, there must be at least one member and provision can be made to have a maximum number of members. Under the Provincial Act, there must be at least three members.**

In this by-law you are deciding who will control your organization. If you define too small a group of people, your organization may become controlled by a small clique. You may also find that you lack enough people to do the day-to-day work of the organization. If you make the membership too large, you may be including people who are not really interested in your program, or you may find your organization being pulled into political battles that have nothing to do with your program.

### *Suggestions*

Some or all of the following:

- Anyone who asks to join
- Anyone who asks to join and is voted in
- Anyone who has a special relationship with your organization

### *Examples*

- For a block or community association: anyone who lives in the neighborhood
- For a day care center: all parents of children enrolled in the center plus all staff members
- For a battered women's program: anyone with an interest in addressing the problem

2. How do potential members become members?

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**The by-laws of a federal non-profit corporation must state conditions of membership (who can be a member and how a member is accepted into membership). In contrast, the Letters Patent or by-laws of a provincial entity may provide that anyone who attains a certain office automatically becomes a member. Memberships may be transferable or nontransferable in organizations incorporated under both federal and provincial legislation.**

**Under the Ontario Act, unless provided for in the Letters Patent, an interest in membership is not transferable and ceases to exist on death or when a person ceases to be a member voluntarily. If transferability is expressly stated in the Letters Patent, the by-laws must not conflict with this provision.**

### *Suggestions*

- By paying dues

- By signing a card
- By writing a letter and receiving confirmation of membership from Board of Directors

3. How do members continue to be members?

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**In general, termination of membership is automatic upon giving notice to that effect. Under federal law, the by-laws must also state whether and how members are to withdraw.**

#### *Suggestions*

- One year
- Two years
- As long as they pay dues
- As long as their special relationship continues (e.g. living in the neighborhood or sending their children to the day care center)

4. Would separating your membership into special classes be useful to your organization?

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**Under the Ontario Act, the Letters Patent of by-laws may provide for more than once class of membership and shall set forth the terms and conditions attaching to membership. There is no limit on the number of classes under the Federal Act provided that at least one class must vote and all the rights and conditions, including voting rights of the classes are set out in the by-laws.**

If your organization is made up of members representing very different interests, you may want to establish special classes of members with different rights. However, since this requires more record-keeping and makes organizational matters more difficult, you must decide if this procedure is worth the time and effort.

Special classes are most commonly used to:

- Permit different groups or classes of members within the organization to elect specific directors as their representatives; or
- Giving voting rights to certain categories of members but not to others.

#### *Examples*

- Anyone with an interest in a school or day care center may be a member but only parents of enrolled children have the right to vote.

🗳️ In a coalition of community groups, members of each constituent group have the right to appoint a certain number of directors.

If you want to establish a classified membership you need to specify:

- Into what classes will your membership be divided?  
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- What voting or other privileges will be reserved for particular classes?  
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- What will constitute a quorum for each class?  
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- When there is a quorum of the class, how many votes will be needed to make a decision?  
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- Do you want to allow cumulative voting for directors in your organization?  
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- This method of voting for directors allows those with a minority interest to have an increased say. In the election of directors, it permits each member to cast all the votes to which he or she is entitled for one or more directors. (e.g., if a member is entitled to vote for eight directors, he or she may cast all eight votes for the same candidate.)

5. What are the powers of the members? That is, what matters can be decided at member's meetings?

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Usually members have two major responsibilities: electing the Board of Directors, and amending by-laws. But you may give them responsibility for other decisions if you wish.

*Examples*

- Responsibility for decisions to expand the neighborhood served by the organization
- Responsibility for decisions to move to new office space
- Responsibility for decisions with the effect of reshaping the organization

If you give the membership many different powers, your organization will be more democratic and less able to be controlled by a small group. But it will also be slower and less efficient since very important decisions will have to wait until a full membership meeting is convened.

6. How often should the members meet?

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**Under both federal and provincial laws, a non-profit must hold an annual meeting of the members within 18 months of the date of incorporation and subsequently not more than 15 months from the last annual meeting.**

**The Federal Act requires at least one membership meeting per year. The by-laws may call for additional meetings as long as the procedures for holding an annual meeting of the members are clearly set out. For example, the by-laws may provide that members may hold meeting by teleconference or by other electronic means that permit members to communicate adequately with each other. The by-laws should set out the minimum percentage of members needed to approve the holding of such meetings. With respect to meetings by other electronic means, the by-laws should specify how security issues will be handled and should address the mechanics of holding such a meeting. Written resolutions in lieu of meetings are not allowed for items required under the federal statute to be dealt with at a meeting.**

**Under the Provincial Act, meetings of the members shall be held at the head office of the corporation but may be held anywhere in Ontario if the by-law provides, or outside of Ontario if stipulated in the Letters Patent. Unlike the federal counterpart, there is no provision in the Act for holding telephone meetings. Any resolution or by-law can be confirmed by by-law.**

7. What are the notice requirements for calling a member's meeting?

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**Under provincial law, the by-laws shall specify the notice required for meetings of members but shall not provide for less than ten days' notice of meetings and notice of same must be given individually.**



**For corporations having exclusively charitable objects, sufficient notice of a meeting of members is given if given by publication at least once a week for two consecutive weeks preceding the meeting in a newspaper circulated in the municipality in which a majority of the members reside.**

**Under the Federal Act, notice can be given by mail upon 14 days notice, or where the corporation has more than 100 members, its by-laws may provide for publication of the notice in a local newspaper where the majority of members reside.**

8. How many members are necessary for a quorum? (That is, how many members must be present for a member's meeting to be an official meeting at which business can be transacted?)

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**The Federal Act requires the quorum to be fixed (a fixed number, percentage or determinable formula). It must consist of at least two members present. The Ontario Act does not impose any requirements.**

This is an important decision because no meeting of members can begin until a quorum is present. A high quorum requirement helps ensure broad participation in decisions but may pose difficulties if many of your members find it difficult to get to membership meetings. A low quorum requirement makes it easier to hold a meeting but allows a small number of members to make decisions that bind the entire group.

### *Suggestions*

The size of the quorum generally depends on the total number of members in an organization. If there are only twenty or thirty members, and you think you can get most of them to a meeting, you might make the quorum half of the members. If you have hundreds of members, you might set the quorum quite low, at 10 or 20% of the members.

9. Who chairs meetings of the members?

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The president of the Board of Directors often chairs member's meetings, but you may name someone else. For example, you might decide that the members will elect a chairperson from among the membership.

10. How many votes are needed to pass a motion at a member's meeting?

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**Under provincial law, members have one vote unless the Letters Patent or by-laws provide that each member has more than one vote or no vote at all. However, voting rights under federal law may be different for different classes of membership, as specified in the by-law, with some members having no votes. At all meeting of the members, all questions are determined by a majority of the votes cast or by consensus.**

*Suggestions*

In order to spare the non-profit corporation the expense of holding a special meeting solely at the request of a small number of voting members, it is recommended that the by-laws state that a minimum of five percent of the voting members are needed to requisition the directors to call a special meeting.

11. May members vote by proxy (assign their rights to vote to another member so that their votes are counted even though they do not attend a particular meeting)?

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**Under both the provincial and federal statutes, a non-profit corporation may vote by proxy.**

You may specify that only members attending a meeting may vote. However, this requirement could result in fewer people participating in your organization. You must decide whether the value of face-to-face contact outweighs this possible disadvantage. Where the by-laws indicate that a member may vote by proxy at a member's meeting, they must also specify who may be a proxyholder, that proxies are to be in written form and that either a form of proxy or a reminder of right to use a proxy will be attached to the notice of meeting going to all the voting members.

**PART TWO: BOARD OF DIRECTORS AND OFFICERS**

The Board of Directors of an organization makes most of the decisions about how the organization will operate. In other words, the Board conducts all the business of the organization that is not specifically assigned to the membership by the by-laws. The Directors are responsible to the membership who elects them.

1. Who is eligible to be a member of the Board of Directors? May staff members serve?

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**Under federal law, a director is not required to be a member. However, under provincial law, a director (but not an officer) must be a member or become one within 10 days of election or appointment as a director and if s/he ceases to be a member then s/he ceases to a director.**

2. How many members of the Board of Directors will there be?

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**Both the Federal and Provincial Acts require that there be a minimum of three directors at least 18 years of age. Under the Ontario Act, a fixed number of directors is required. Under the Federal Act, the by-laws may provide for either a fixed number of directors or specify how the number of directors is to be established (for example, by formula, by the directors or members or both) and how that number is to be changed. If a formula is used to determine the number, this formula must be included in the by-laws.**

*Suggestions*

Between nine and nineteen is a good size for talking and deciding. A larger board may be appropriate if it is important that many different groups or interests be represented or if the Board is expected to carry out much of the substantive work of the organization (e.g. issuing reports and position papers).

3. How will the members of the Board of Directors be selected?

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**The manner of appointment or election of directors must be specified in the by-laws of a federal non-profit corporation.**

*Suggestions*

- The members will elect the directors each year at the annual meeting, with nominations from the floor or by mail ballot.
- A nominating committee will propose candidates for election but additional candidates may run by petition of a certain number of members.

4. How long will Board members serve?

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**There is no limit on what the term of office will be under the Federal Act. However, under Ontario law, directors serve for a one-year term unless the by-laws otherwise provide. If the by-laws provide for election and retirement of directors in rotation, the term cannot exceed five years.**

Keep in mind that limiting the number of terms a board member may serve is one important way of keeping a Board of Directors from becoming a permanent clique, but may deprive the Board of valued leaders.

5. May Board members be removed from the Board of Directors before their terms are over? If so, how?

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**Federal law requires that the by-laws include a procedure for the removal of directors.**

You may want to permit a member of the Board to be removed if he or she fails to attend meeting regularly or for some other reason. The by-laws can be specific (e.g., stating how many meetings Board members may miss and how they will be informed of their removal if they miss too many) or general (e.g., permit removal for cause or without cause).

6. How will Board members be replaced if they resign or are removed before the end of their terms?

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### *Suggestions*

- The other Board members elect a replacement to serve until the next membership meeting.
- The Board calls a special membership meeting for the election of a replacement.
- The members of the organization, when they elect Board members, also elect substitutes who automatically become Board members if regular members resign.

7. How often will the Board meet? When and where will the Board meet?

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**Under the Federal Act, provisions regarding the time and place of director's meetings must be specified in the by-laws. Under the Ontario Act, director's meetings are to be held at the head office of the corporation. Unless the by-laws provide, they can be held at any place in or outside of Ontario.**

Boards typically meet once a month and sometimes, if there is an executive committee, as few as four times per year.

8. How will meetings of the Board of Directors be called? Who will call them?

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**Under the Ontario Act, there is no specific provision setting out notice requirements for director's meetings. Under federal law, the by-laws must specify an amount of time that is reasonable for notice of director's meetings or indicate that reasonable notice will be given (a minimum of 14 days is recommended if sent by mail). Notices sent by electronic means such as e-mail or facsimile are permitted.**

### *Suggestions*

Usually Board meetings are called by written notice, mailed to each Board member at least several days before the meeting, but you may want to set up some other system. The by-laws may provide that directors may hold meetings by teleconference or by other electronic means that permit directors to communicate adequately with each other.

With respect to meetings by other electronic means, the by-laws should set out the minimum percentage of directors needed to approve the holding of such meetings. The by-laws should also specify how security issues are to be handled and should address the mechanics of holding such meetings. Each director should have equal access to the technology used and should consent in advance to the specific means of communication to be used.

You also need to decide who can call a meeting of the Board if the Board itself has not set the time and place at the previous Board meeting. You might restrict this right to the Board President or make it available to any two directors.

9. What is a quorum for a Board of Directors meeting?

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**The quorum must be fixed either by number or by percentage and must be no fewer than two directors under the Federal Act. Under the Ontario Act, unless provided for in the Letters Patent or by special resolution, a quorum of directors is not less than a majority but in any case is not less than two-fifths of the board of directors.**

10. Is a simple majority (one half the Board members present plus one) enough to pass a motion of the Board of Directors?

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**Under the Ontario Act, any by-law or resolution signed all of the members is valid and effective as if it had been passed at a meeting. Under federal law, the by-laws may provide that director's decisions are to be made by consensus. However, the by-laws must define what consensus is and describe the means of referring any matter to a vote if consensus is not reached. (Decisions by consensus work best when corporations have ten or fewer directors). Note that mail ballots and written resolutions are not acceptable to replace director's meetings. Proxy voting is also not acceptable.**

11. Will the Board have an executive committee or any other regular committees? If so, how will the members of these committees be chosen?

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Many groups find it convenient to have an executive committee or other standing committees empowered to act between Board meetings. The power to create these committees should be set forth in the by-laws.

**Under the Federal Act, where the by-laws provide for standing committees, they must also provide the manner of appointment or election of committee members, the manner in which committee member are removed, the responsibilities or duties of committee members, and the remuneration of committee members.**

**Where the by-laws provide for an executive committee, they must also provide the procedures for holding meetings of the executive committee, the quorum for executive committee meetings (which must be fixed and must be no fewer than two directors), a reasonable period of notice of executive committee meetings, the manner of appointment or election and removal, the responsibilities and duties and the remuneration of these members.**

12. Are there any regular reports that the Board of Directors should request from the staff or officers during the year?

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The Board may request reports whether or not the by-laws require them. But you may want to specify in the by-laws such reports as:

- An annual financial report from the treasurer
- Quarterly statements of income and expenditure from the bookkeeper or accountant
- Evaluation reports on each staff member from the director
- Evaluation of the program by staff or by a special committee

13. What officers will the organization have?

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**Under the Federal Act, there is no requirement to have any type of officer and no officer need be a director or member. Under the Ontario Act, the directors shall elect a president and a secretary, and permits one or more vice-presidents and other officers. Unless the by-laws provides, other than the president and the chair of the board of directors, no officer need be a director or member.**

**Ontario legislation also permits a corporation, by special resolution, to create the office of the chair of the board of directors, to assign some or all of the duties of president to the office, in which case, the duties of the president must be named.**

Generally the officers are President, Treasurer and Secretary. They may be given different titles such as Chairperson, Vice-Chairperson, etc. You may want to have additional officers. As a general rule, the by-laws should contain a provision in which the officers are identified.

14. How will these officers be elected?

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**Under the Federal Act, the manner of appointment or election of officers must be specified. Where an officer is elected and the individual is not a full-time employee, the by-laws must specify a term of office.**

**Under the Ontario Act, the president and (if there is one) the chair of the board must be directors elected by the directors. Where the Letters Patent or by-laws provide, one or more of the officers may be elected by the members at a general meeting called for that purpose (such a provision is desirable where the members wish to retain more control).**

*Suggestions*

Officers need not be elected at a meeting. Officers may be appointed in a manner specified in the by-laws. This could include, without restricting the foregoing, the appointment of officers by mail-ballots.

15. How long will officers serve?

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*Suggestions*

Officers may serve for one, two, three or more years. There is no limit on what the term may be. However, if your officers are elected from among the Board, and you have staggered terms, you may want to limit the term or the officers to one year.

16. How many officers may be removed before their terms end?

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**Under the Federal Act, there is no limit on the manner in which officers are removed. Usually officers may be removed before their terms end only by the same people who elected them (the membership or the Board). If you wish, the by-laws may specify grounds for removal.**

17. How may officers be replaced if they resign or are removed before the end of their term?

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*Suggestions*

Decide who will be responsible for proposing their replacements (e.g., a committee or an individual). Then, if officers are normally elected by the Board, you will probably want the Board to elect the replacements. If officers are normally elected by the members, decide whether the members or the Board will select the replacements.

**Note: While there are no specific provisions in the Ontario Act dealing with duties or the removal of officers, it is wise to make provisions for such in the by-laws. Under federal legislation, by-laws must contain provisions in the by-laws that deal with the basic responsibilities/duties of the officers, their removal, and the fixing of their remuneration.**

18. What are the powers of the President?

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In most organizations, the President presides over all meetings and has the authority to sign legal documents on behalf of the organization, sometimes only after the Board has approved the contract or document. You may give the President additional powers.

19. What are the powers of the Vice-President?

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Usually the Vice-President's main responsibility is to act as President when the President is unavailable, but you may want to specify additional responsibilities in the by-laws.

20. What are the responsibilities of the Secretary?

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The secretary usually is responsible for all written records of the organization, especially notices of meetings, minutes of meetings and the official correspondence of the Board. This does not mean that the Board Secretary needs to do the actual writing and paper work that can be done by a paid clerk or secretary. But the Secretary is responsible for seeing that accurate records are kept.

21. What are the responsibilities of the Treasurer?

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The Treasurer usually is responsible for all financial records, and for preparing financial statements and reports for the Board. A Treasurer does not actually keep the books or audit them if paid bookkeepers and accountants are involved.

### **PART THREE: OTHER PROVISIONS**

Once your organization has adopted by-laws, you must abide by them until they are amended. Your by-laws therefore must specify the procedures for repealing or amending by-laws. The amendment provision is clearly an important one, since the power to change the by-laws is the power to change very significant aspects of the organization. The following is a list of other provisions that should be included in your by-laws.

1. Who can change the by-laws?

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**Under federal legislation, by-laws, once enacted and/or amended by the Board of Directors, must be sanctioned by the members and shall not be enforced or acted upon until the approval of the Minister has been obtained. This must be specified in the by-laws of a federally incorporated not-for-profit organization. Under the Ontario Act, by-laws do not require the approval of the Ministry of Consumer and Commercial Relations.**

2. By what vote can the by-laws be changed?

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#### Suggestions

You may want to require a higher quorum than usual or a greater proportion of the vote in order to change the by-laws. Alternatively, you might require majority votes at two successive meetings of the members or the Board of Directors before the by-laws can be changed. An affirmative vote of at least two-thirds of the members is a general rule of thumb to sanction a by-law.

3. Who audit the accounts and annual financial statements of the corporation for report to the members?

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**Under federal legislation, members appoint the auditors at their first annual meeting and thereafter annually. A corporation is exempt from audit if it is not a public corporation, has annual income of less than \$10,000 or all the members consent, but this exemption is not applicable to certain charities.**

**The Ontario Act stipulates that members must appoint an auditor to hold office until the first annual meeting and thereafter at each annual meeting. There are no provisions permitting the waiver of an audit.**

4. Who can sign on behalf of the corporation?

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## **Conclusion**

Completed by-laws usually look complicated and rather intimidating, which may account for the impulse to find a set done by someone else and merely adopt them. This is a mistake. No by-laws of any one group can ever be exactly suited to the needs and peculiar circumstances of another group. Before adopting by-laws, think through what each by-law means for your organization. The above checklist provides only for decisions on basic and mandatory matters. You and your lawyer should discuss additional items that should be covered in your by-laws. For further assistance on drafting by-laws, you may visit the following website addresses:

Not-for-Profit Incorporation Handbook (Ontario): [www.attorneygeneral.jus.gov.on.ca/html/NFPINC/index.htm](http://www.attorneygeneral.jus.gov.on.ca/html/NFPINC/index.htm)

Incorporating a Charity: [www.attorneygeneral.jus.gov.on.ca/html/pgt/bullet2.htm](http://www.attorneygeneral.jus.gov.on.ca/html/pgt/bullet2.htm)

Non-for-Profit Information Kit on Federal Incorporation (includes bylaw checklist): [www.strategis.ic.gc.ca/sc\\_mrksv/corpdirengdoc/4j.html](http://www.strategis.ic.gc.ca/sc_mrksv/corpdirengdoc/4j.html)