



Lower Pacific District

Evangelical Free Church of Canada

Unity, Charity, Jesus Christ

April 20, 2016

The New Societies Act and LPD Churches

Dear friends in LPD Churches and Church plants,

Greetings in Christ!

Local churches today are the gathered “bodies of Christ.” They are also nonprofit societies in the Province of BC and registered as charities with the Canada Revenue Agency.

This can all be complicated, and today I write to you about being a nonprofit society in BC.

You may have heard about the **new Societies Act for BC**. If not, don't panic – it is not yet in effect!

The new Act will bring significant changes to the current regime which governs some 27,000 nonprofit entities in the province. After the Act comes into force in November 2016, existing societies will have two years to transition under the new Act. During this time societies will need to determine how the new Act will affect them and file a transition application with the BC Registry along with a copy of their constitution, bylaws, and statement of directors and registered office of the society.

The new Act brings changes that will serve to increase flexibility for governance but also beef up certain disclosure and accountability mechanisms.

Here is the basic timeline:

- The new Societies Act will come into force on November 28, 2016.
- After November 28, existing societies can transition to the New Act.
- Existing societies will have two years (from November 2016 until November 2018) to transition.

While there is certainly no need to panic, there are several things that your church can and should be doing to prepare for this transition. We would suggest that you be proactive and consider transitioning your church by your next annual meeting in 2017.

Here are some resources:

- **BC Government.**
 - links to the new Act and Regulations;
 - a table outlining some of the new Act's impact on existing societies;
 - a 2-way concordance with the current *Society Act*;
 - an outline of the new electronic filing system; and
 - answers to Frequently Asked Questions.
 - A guide to transitioning to the New Act.

These documents can be found at: <http://www.bcregistryservices.gov.bc.ca/bcreg/societiesact/index.page>. You should regularly visit this site as additional information concerning the new Societies Act and transition requirements will be posted as it becomes available.

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- **Law for Nonprofits.**

This is a legal resource to nonprofits that provides several helpful materials that describe the changes to the Societies Act. This can be accessed at: www.lawfornonprofits.ca

- **“The New Societies Act: Don’t Panic. Be Prepared.”** I attach this helpful article for your reference. It provides helpful information and suggestions to prepare for transition.

Here are some highlights of the New Societies Act that will relate to local LPD Churches.

- **Unalterable Provisions**

Under the current Society Act, most, if not all church constitutions have unalterable provisions—provisions that could live on to the end of time. Many district local churches have included their statement of faith, affiliation, dissolution clause and other “bedrock” items for the church as being unalterable.

As evidenced in our 2008 adoption of a new EFCC Statement of Faith, these clauses have sometimes been somewhat problematic, as societies have had no way to remove or change them. Under the new Act, unalterable provisions will no longer be allowed and when a society transitions, any "unalterable provisions" must be moved to the society's bylaws and then may be alterable. Also, any unalterable provisions must be identified in the bylaws as having been “previously unalterable.”

Even though unalterable provisions will no longer be permitted under the new Act, churches would be well advised to set a special resolution at 100% to ensure changes with respect to these core provisions could only be made on a unanimous basis.

- **Member-funded vs. Public-funded societies**

The Act brings a new distinction that didn't exist before: treating member-funded and public-funded societies differently, and requiring unique requirements for each on corporate governance, financial disclosure, and distribution of assets upon dissolution.

Member-funded societies are those that are primarily funded by their own members to carry on activities for the benefit of their members. Sports clubs and professional organizations fall in this category.

Public-funded societies are those that receive government or public funding above a threshold amount (which will be set by future regulations). Registered charities such as churches fall in this second category.

- **Remuneration**

A public-funded society (such as a church that is a registered charity) must set out in its financial statements the remuneration of its directors and ten most highly remunerated employees and contractors (earning over \$75,000). This requirement does not apply to a member-funded society.

For a public-funded society, a majority of its directors must not receive or be entitled to receive remuneration under contracts of employment or services other than remuneration for acting as a director. This requirement does not apply to a member-funded society.

- **Constitution**

Under the new Act a society's constitution may only contain two sections: the name of the society and the purposes of the society. A society may not have a constitution that contains provisions in addition to the name and purposes of the society. If your church's current constitution includes more provisions than these two, and you consider it necessary to retain those provisions somewhere in the society's governing documents, then they must be moved into the bylaws.

Churches and other registered charities must ensure that their purposes or objects are "exclusively charitable" in order to qualify as a registered charity. Many churches' list of purposes often includes all sorts of other seemingly harmless and honorable causes, but which are not exclusively charitable.

Churches that include such purposes may gain the attention of Canada Revenue Agency, and in certain cases, this could even lead to revocation of their charitable status. Here's a link to CRA's website containing information about **charitable purposes** <http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/menu-eng.html> as well as a list of **model purposes**. http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/mdl/mdl-bjcts-eng.html?utm_source=charities&utm_medium=eml If and when you choose to redesign your church's constitution it would be wise to not stray far from, nor add to, the wording as set out in these model purposes. We are encouraging all new churches to follow these provisions as they register.

While the above changes of constitution are significant, a church does not need to make all the changes to purposes for the sake of transitioning to the new Act. Just keep your registrations with the BC Government and CRA current and in good order.

These are just a few of the big changes that are in store. Some societies will be impacted more than others in modernizing their organizing documents and reviewing their board compositions. The transition will impact all societies however as, at the very least, all societies will be required to complete and submit a transition application to BC Registry.

Some churches might simply make the necessary changes for the purposes of the transition of their existing constitution and bylaws. Others might take this opportunity to do a more comprehensive revision. A word of caution if you are planning to revise your constitution and bylaws is that before November 28 of this year, all must comply with the current Act. After November 28, a church will need to comply with the new Act.

Please be assured that our Lower Pacific District will be providing regular resources to assist your church with transition to the new Societies Act. Again – do not panic, but please be diligent to prepare.

Again, please see the attached document, **“The New Societies Act: Don’t Panic. Be Prepared”** for specific information on how your church (as a nonprofit society) can prepare for transferring to the Act.

You are welcome to contact us at any time for further resources, and as we will be prepare our district for transition as of our next LPD Conference on March 4, 5 - 2017.

In Christ's and your service,



Rob Stewart
district superintendent