



THE CANADIAN INSTITUTE OF MARINE ENGINEERING

Transition of the Institute under the *Canada Not-for-profit Corporations Act*

Information Bulletin #1

To: Members of the Institute
From: National Council
Date: August 27, 2012

Introduction

The Canadian Institute of Marine Engineering is required to make a transition in its corporate existence under new federal legislation, the *Canada Not-for-profit Corporations Act* (the Act) by late 2014.

This information circular, the first in a series for CIMarE members, describes the requirements of the Act, the transition process and steps proposed by the National Council to complete the matter.

Members of the Institute were informed at the Annual General Meeting in Ottawa last April that the transition will have little effect on the Institute's corporate form, business, membership or governance.

Discussion

The Act is meant to modernize federal non-profit and charitable corporations. Members will recall that the Institute is the first of these, created in 1976 as a "non-share capital" federal corporation under Part II of the *Canada Corporations Act*.

Canada's non-profit and charitable sectors have grown considerably during the past 36 years, becoming more complex and sophisticated in their operations, and the accountabilities they must necessarily have to members and stakeholders in the wider community. After extensive consultations and allowing for a three year implementation period, the federal government brought the Act into operation in late 2011.

To ensure the better accountability and regulation of non-profit and charitable corporations, the Act makes mandatory the transition to a new corporate status. If the CIMarE does not make the transition, its corporate existence will be dissolved after October 17, 2014.

Industry Canada's Corporations branch is responsible for the new Act and serves as the registrar of federally incorporated companies. Corporations Canada's website contains discussion materials about the new Act at: < http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04954.html>

The National Council has considered the required transition and endorses it. The resulting changes will mean an Institute that is more accountable to members and easier to administer. The Council sees no financial implications from the transition nor any appreciable costs to complete it.

A significant part of the transition will be the filing of Bylaws which must conform to the requirements of the Act. The National Council reviewed the Institute's 2010 member-approved Bylaws and has concluded no substantial changes are required. The Bylaws are expected to be resubmitted (or re-filed) with Corporations Canada after minor wording and format changes. It must be noted that the Act requires members to approve Bylaws to continue the Institute's existence. This must be done at an Annual or Special General Meeting of CIMarE members. The National Council is not able to approve continuation Bylaws to maintain the Institute under the Act. The Council recommended to members at the 2012 Annual General Meeting that a vote on the continuation Bylaws be held at the 2013 AGM in Halifax.

Questions and Answers

Question: Why is the Institute federally incorporated?

Answer: Incorporation has allowed the Institute to be more accountable to members and act with greater credibility on behalf of members. Contracting, insurance coverage and the administration of the Institute are more efficient because of incorporation. Filing an annual report to maintain the Institute's corporation existence costs only \$30 annually. Creating the Institute as a federal corporation was done because marine engineers and others in the industry work nation-wide and because marine engineering and related activities are substantially federally regulated.

Question: Should the Institute make a change to charitable status under the Act?

Answer: The Council considered this during its April 2012 meeting. Council recommends the Institute remain a non-profit corporation. Council does not recommend that the Institute become a charitable corporation and seek charitable status with the Canada Revenue Agency. The Institute has only the charitable activity of student scholarships, which is considered to be adequately funded. The requirements to account for organizational finances are strict under the new Act and will result in increased administrative work and audit costs for charities.

Question: The Institute has Bylaws and Rules for its operations. What will become of the Rules?

Answer: Council recommends the Rules be repealed. The Rules no longer have much practical use for our national administration or the work of branches. See the discussion paper dated 9 February 2011 ("Reviewing and updating the Rules of the Institute") available at the CIMarE website and from the National Administrator. The few Rules which could be useful in future will be recommended to members to be part of continuation Bylaws filed with Corporations Canada.

Question: Can the Institute make changes to its Bylaws to update them again following the 2010 members' referendum?

Answer: Yes. The Council is considering several changes, including voting procedures and quorum at annual meetings, absentee voting, describing Council members as directors of the Institute, and minor changes to clarify membership criteria. Council is not considering changes to the present classes of membership (member, associate member, corporate member, student member) approved by members in the 2010 Bylaws. However, Council welcomes suggestions for changes of any kind to the Bylaws and seeks comments from members and branch committees.