



# Top Compliance and Risk Management Issues: What Charities Need to Know

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## OVERVIEW

A. Key Corporate Compliance Issues

B. Key Governance Compliance Issues

C. Key CRA Charity Compliance Issues

D. Key Operational Compliance Issues

E. Effective Risk Management Strategies

F. Residue Materials

For more details see Resource Material #1 – Legal Risk Management Checklist for Ontario-Based Charities

## A. Key Corporate Compliance Issues

1. Review Corporate Purposes
  - Are the existing corporate purposes charitable?
  - Has there been mission drift beyond corporate purposes?
  - Does the charity need to update its corporate purposes?
  - Is there a disconnect between corporate purposes and a charity's vision, mission and value statement?
2. Corporate Records
  - Does the charity have complete corporate records, including minutes of directors, members and committee meetings?
  - Who are the members?
  - Is the general operating by-law up to date and does it reflect requirements of the ONCA or the CNCA as applicable?
  - Were initial organizing resolutions ever adopted?
  - Was there a rollover of assets from the unincorporated charity to the incorporated charity?



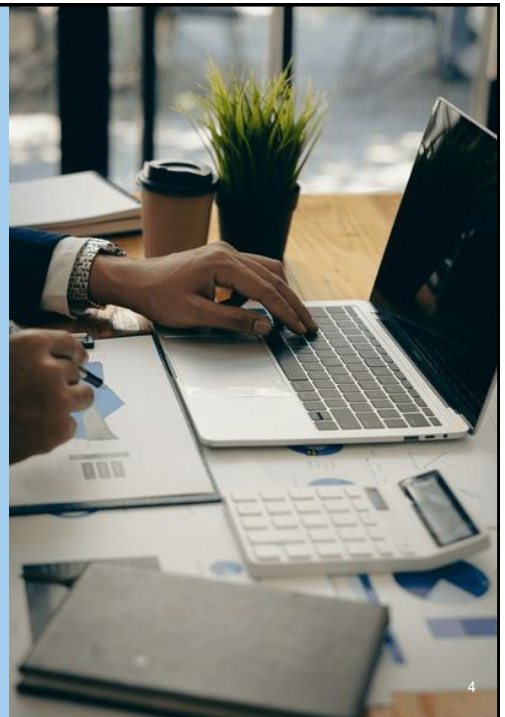
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### 3. Are Corporate Filings and Registrations Up-to-Date?

- Ontario Corporations
  - Initial Return/Notice of Change/Annual Returns
  - *Business Names Act* (Ontario) Registrations
- Federal Corporations
  - Annual Returns
  - Extra-Provincial Return/Notice of Change
  - *Business Names Act* (Ontario)



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## B. Key Governance Compliance Issues

1. Who is in Charge of the Charity?
  - Is the board of directors in charge or the executive director/CEO?
  - Does the board of directors understand their fiduciary responsibility under the CNCA/ONCA to “manage or supervise the management of the activities and affairs of a corporation”?
  - Is there a clear separation of roles between the board and the executive director/CEO?
  
2. Are there key Governance Policies in Place?
  - Conflict of interest policy
  - Confidentiality policy
  - Board conduct policy



3. Are there Protocols in Place in Order to Achieve Effective “Good Governance”?
  - Onboard training of new board members
  - Regular board training for all board members
  - Clarification of the role of the chair of the board of directors
  - Implementing effective minute taking
  - Developing protocols when dealing with problematic board members
  - Developing a succession plan for future board members



## C. Key CRA Charity Compliance Issues

### 1. The Importance of CRA Compliance

- The charity and its board of directors are subject to a reverse onus to prove to CRA that the charity is compliant with the *Income Tax Act* (“ITA”) and CRA requirements
- A charity and its board of directors, as well as senior management, must be proactive in proving compliance through maintaining adequate books and records
- Inability to evidence compliance on a CRA audit can lead to penalties, suspension and revocation
- Revocation for cause will mean that the directors, officers and senior management team will become “ineligible individuals” under the ITA, with serious consequences.



### 2. A Sampling of Key CRA Compliance Requirements

- Must file the T3010 within 6 months of financial year end
- Maintain detailed books and records, in particular board minutes evidencing direction and control by the board, as well as rationale for key decisions
- Updating charitable purpose when necessary
- Monitor disbursement quota compliance
- Avoid undue private benefit
- Working with non-qualified donees to achieve a charitable purpose must be done under the “own activities/direction and control” regime or under the new “qualifying disbursement” regime
- Income generation through charitable programs, related business, or passive investment needs to be carefully monitored
- Foreign activities requires careful due diligence, including anti-terrorism and anti-bribery
- Need to monitor compliance with CRA fundraising guidance



## D. Key Operational Compliance Issues

### 1. Protecting Charitable Assets

- Board of directors and senior management have a fiduciary duty to protect charitable assets and apply them to the charity's charitable purposes
- Essential to have an update inventory of all charitable property and key operating agreements in order to identify assets and liabilities
- Is the charity aware of and protecting valuable intellectual property through registration and licensing of:
  - trade-marks
  - copyright

### 2. Investment of Charitable Property

- Does the charity have a general investment policy in accordance with the *Trustee Act* (Ontario) reflecting a prudent investor standard, including requirements when delegating investment decision making
- Is the charity engaged in "impact investment", and if so, is there compliance with CRA "program related investment" requirements, as well as "social investment" requirements under the *Charities Accounting Act*?

### 3. Are there adequate operational policies in place that are consistently followed?

- Privacy policy
- Data retention and deconstruction policy
- Anti-spam policy
- Child and vulnerable person protection policy
- Employment policies, including anti-violence and harassment policies
- Volunteer policy
- Social media and artificial intelligence (AI) policies
- Gift acceptance policy



### 4. Is there responsible Fiscal Management in Place?

- Is the charity running at a deficit?
- Does the board monitor payment of statutory deductions for employees?
- Is the charity complying with donor restriction gifts, including endowments?
- Is there an adequate reserve fund in place?
- Does the charity have an effective crisis management policy in place?

## E. Key Risk Management Strategies

### 1. Insurance Considerations

- Charity needs to review insurance coverage with its insurance broker on a yearly basis
- Charity needs to provide full disclosure of all material risks to the insurer
- The broker needs to provide a written response to the following questions:
  - What risks are covered and which risks are not?
  - Is there coverage for abuse?
  - Who is covered and who is not covered?
  - What are the mandatory limits for different types of insurance coverage and are those limits adequate?
  - What are the exclusions from coverage?
  - Is there separate directors and officers' insurance coverage?
  - Are additional insurance policies required for cyber attacks and breach of privacy, as well as other high-risk scenarios?
  - Are there any recommendations to improve coverage?
- Essential to maintain a copy of all historical insurance policies

### 2. Adopting and Implementing Effective Risk Transfer Documentation

- When working with volunteers, as well as members of the public, consideration needs to be given to whether one or more of the following risk transfer documents would be appropriate to use:
  - Informed consent and assumption of risk
  - Disclaimers
  - Release and waivers
  - Possible indemnities
- However, any risk transfer document will be narrowly interpreted by the courts and will not bind a minor
- As such, risk transfer documentation can be helpful but is no guarantee against exposure to liability

## F. Resource Materials

1. Legal Risk Management Checklist for Ontario-Based Charities: <https://www.carters.ca/october-2025-legal-risk-management-checklists-for-ontario-based-charities-and-not-for-profits/>
2. Carters Charity Law Knowledge Centre, for helpful Webinars and Articles: <https://www.carters.ca/knowledge-centre/>
3. Carters Monthly Charity Law Update: <https://www.carters.ca/april-2026-charity-nfp-law-update/>
4. [Corporate and Practice Manual For Charities and Not-for-Profit Corporations](#) – Thomson Reuters
5. ONN Non-Profit Law resources: <https://theonncanada.ca/topics/onncanada-projects/nonprofit-law-ontario/>
6. Imagine Canada Website: <https://imaginecanada.ca/en>
7. For international compliance issues, go to ICNL website: <https://www.icnl.org/>



[Terrance S. Carter](#), B.A., LL.B, TEP, Trademark Agent – Managing Partner of Carters, Mr. Carter practices in the area of charity and not-for-profit law, and counsel to Fasken on charitable matters. Mr. Carter is a co-author of *Corporate and Practice Manual for Charitable and Not-for-Profit Corporations* (Thomson Reuters), a co-editor of *Charities Legislation and Commentary* (LexisNexis, 2025), and co-author of *Branding and Copyright for Charities and Non-Profit Organizations* (LexisNexis, 2019). He is recognized as a leading expert by *Lexpert*, *The Best Lawyers in Canada* and *Chambers and Partners*. Mr. Carter is a former member of CRA Advisory Committee on the Charitable Sector, and is a Past Chair of the Canadian Bar Association and Ontario Bar Association Charities and Not-for-Profit Law Sections.

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