



May 26, 2023

**BY REGISTERED MAIL**

The Sigma Chi Canadian Foundation / La Fondation  
Canadienne Sigma Chi

BN: 889447249RR0001

GB: 210141426106



**Attention: John C Akitt**

**SUBJECT: Notice of Confirmation**

Dear Mr. Akitt:

We have reviewed the objection to the Notice of intention to revoke the registration issued on February 18, 2020 and the supplementary submission provided in response to our proposal letter.

It is our opinion that The Sigma Chi Canadian Foundation / La Fondation Canadienne Sigma Chi (the Foundation) has failed to demonstrate that it meets all the requirements of the Income Tax Act (the Act) to maintain its registration. Below is our analysis of the objection and supplementary information provided.

**Providing a private benefit**

The Organization signed a Compliance Agreement with the Canada Revenue Agency (the CRA) on March 4, 2011. One of the corrective measures in the agreement stated that the Organization would not restrict the beneficiaries of its educational and scholarship assistance program to University Fraternity Members (fraternity) and **therefore** will ensure that with immediate effect, [the Organization] will:

- Establish a specific scholarship at each of the universities at which the Organization operates that will be available to any male student entering the first year of university studies. The Organization will establish and administer each such scholarship in conjunction with each respective university, if permitted to do so; and
- If permitted to do so, utilize university publications on financial aid at each of the universities at which it operates and other methods to inform male high school students in the service area of each university of the availability of such scholarships and provide some form of direction on how to apply for the same.

In its representations dated March 17, 2023, the Organization states that the CRA's wording in the Compliance Agreement was ambiguous and because of the use of the word "**therefore**" it assumed that in order to comply with this particular corrective measure, creating and promoting a new scholarship open to first year students (and not restricted to Sigma Chi members) was sufficient.

The Organization further submits that it reasonably believed the in-house scholarships were charitable in nature and benefited a sufficient section of the community because all male university students in Canada are eligible for membership.

We reviewed the sample agreements and the financial statements provided (2019 to 2021) in its response to our proposal letter. We noted that the Organization established new scholarships at 13 Canadian universities where there are existing Sigma Chi chapters; the scholarships were to be awarded to one first year student at each of the 13 universities. In 2019, the Organization reports establishing these scholarships and providing funds of \$100,000 – some of the funding were endowments to the specific universities and others appear to be funding for a specified period (e.g., for five years). We also noted that for 2020 and 2021, these scholarship no longer appear funded or expensed on its audited financial statements.

However, for the corresponding periods, the Organization awarded \$51,000, \$52,000 and \$113,760 respectively on the scholarships awarded to fraternity members which is more than twice the amount established for non-members. This, in our view, demonstrates an on-going focus on providing scholarships to members only and a passing attempt to establish scholarships for non-members. We received no information in your submission confirming that scholarships were actually granted from the funding provided to the 13 universities to administer these first year, non-member scholarships or if funds lapsed.

In the CRA Policy Statement CPS-024, Guidelines for registering a charity: Meeting the Public Benefit Test, at paragraph 3.2.2, it is stated that "Organizations that want an outright restriction of benefit or exclusion of services have a far greater burden of establishing public benefit than those organizations that want only to focus attention on a specific group, but extend service delivery to the general public. When a charity proposes to restrict the beneficiaries of the undertaking in any way, **the nature of the restriction must be clearly linked to the proposed benefit.**" [emphasis added].

In 1992, when the Organization was registered as a charitable organization, one of its purposes was to "**To assist deserving undergraduate, graduate and other students attending or enrolled at institutions and systems of higher education in Canada** ("students") who are in financial need to continue and complete their education at such institutions and systems." [emphasis added].

According to EduCanada's website<sup>1</sup>, "Canada's 100+ public and private universities offer more than 15,000 programs at all levels and covering all fields of study."

---

<sup>1</sup> Website captured – 2023-05-02; EduCanada is the official Government of Canada source about studying in Canada for international students and researchers.

According to the audit findings, the Organization has made the application for scholarships (in-house scholarships) opened to all first year students but has made becoming a member of the Organization one of the criteria for receiving the scholarship funds. This means that the eligible student population for in-house scholarship is limited to 12 universities<sup>2</sup> out of the 100+ Canadian universities and furthermore, according to the representations there are “407 current members nationwide.”<sup>3</sup>

Furthermore, the Organization’s<sup>4</sup> purpose on its website states that “The Sigma Chi Canadian Foundation was formed by Canadian Sigma Chi Alumni as a registered charitable foundation **to provide a tax-effective way for Canadian Sigs to support the educational pursuits of all Canadian Active Chapters.** Charitable tax receipts will be issued for donations, which will be used for qualifying educational purposes. Our mission is to strengthen Sigma Chi in Canada. **The Foundation exists as a vehicle for local Active Chapters, Alumni Chapters and/or House Corporations to raise tax-deductible funds for educational purposes – primarily for the benefit of Active Chapters and Active brothers.**” [emphasis added]

This purpose does not support the Organization’s charitable purpose at registration; rather it supports the audit findings that the Organization is providing a private benefit to its fraternity members.

The proposed benefit at the time of registration was to assist students pursuing higher education; there was no inherent restriction in the registration application to focus attention on a specific group such as members of an international fraternal society with Canadian chapters.

The Organization has not demonstrated how the restriction of its scholarships and educational assistance to members of an international fraternal organization are linked to the provision of assistance to students enrolled at the 100+ institutions and systems of higher education in Canada.

Additionally, the Organization is claiming that its secondary purpose is alleviating poverty and that this purpose is charitable in nature. The CRA agrees that the relief of poverty is charitable; however, the assistance should be extended to all “deserving undergraduate, graduate and other students attending or enrolled at institutions and systems of higher education in Canada,” as stated in the purpose at registration and not just to “Canadian Sigs.”

The Organization is using the argument that its restrictions are justifiable because they benefit the members of a religious community. The Organization also states that even though it does not have purposes that expressly advance religion, it is religious in its identity.

Identifying as being religious is not sufficient to be considered charitable. To be considered as religious in the charitable sense means “**manifesting, promoting, sustaining, or increasing belief in a religion’s three key attributes**, which are: faith in a higher unseen power such as a

---

<sup>2</sup> Number of chapters listed on the website on 2023-05-02

<sup>3</sup> Page 11 of the representations dated March 17, 2023

<sup>4</sup> Website captured – 2023-05-02

God, Supreme Being, or Entity; worship or reverence; and a particular and comprehensive system of doctrines and observances”<sup>5</sup> [emphasis added].

In our opinion, making it a requirement that members believe in “an ever-living God, the Creator and Preserver of all things;”<sup>6</sup> and the membership is involved in service-oriented activities, is not sufficient to be considered a religious community in the charitable sense. It is not evident from its core value, vision or mission that the Organization has a religious intent to promote, sustain or increase belief in a religion’s three key attributes as cited above.

The additional information provided by the Organization does not alleviate our concern with respect to a private benefit being conferred. We agree with the audit findings that the Organization has a collateral non-charitable purpose of providing benefits restricted to members of its fraternal organization in Canada.

### **Gift to non-qualified donee**

The amendments to the Income Tax Act to provide another way for charities to work with non-qualified donees by making grants, was enacted in June 2022. This amendment is not applied retroactively.

Therefore, registered charities that wanted to work through a non-qualified donee had to show that the activities were their own, demonstrated by maintaining ongoing direction and control over the use of their resources. This method is applicable to the disbursement of funds to the housing corporations (who are non-qualified donees), established by Sigma Chi regional chapters to provide accommodations to its members, and to whom the Organization disbursed funds.

The Organization has not demonstrated that it directed or controlled the activities of the corporations to which it loaned funds. While loan agreement were provided, no documentation was provided to show how these corporations were acting as intermediaries in carrying out charitable activities on behalf of the Organization.

We remain of the opinion that the disbursement to the London Sigma Chi Properties (LSCP) represents a significant risk to the Organization given that this loan represents more than 30% of its total loans receivable. Under Ontario’s Limitation Act which came into force January 1, 2004, a lender has two years to start legal proceedings against a borrower who defaults on a debt repayment. After that time, the lender will be statute-barred from starting legal action. Should LSCP fail to repay the unsecured loan at maturity, the Organization has placed a significant portion of its assets at risk<sup>7</sup>.

After reviewing the additional information provided, the Organization has failed to meet the requirements of subsection subsection 149.1(1) as a charitable organization.

---

<sup>5</sup> Charity Guidance CG-019, How to draft purpose for charitable registration

<sup>6</sup> Page 5, volume 1 of the Organization’s supplementary submission to Notice of Objection, March 17, 2023

<sup>7</sup> Assets which have been accumulated through taxpayer donation credits and tax-exempt status.

## **Books and Records**

The wording in the Scholarship & Grants Committee Charter document identifies how the Organization will handle scholarships under its own programs. However it does not address our concerns regarding the ultimate selection of the recipients under the US programs such as Horizons that are funded by the Organization.

The documents speaks of the Committee providing recommendations to the Board of directors on the Organization's financial support of Sigma Chi's US Foundation programs but fails to mention how it will ensure that the Organization has an increased presence in the selection committee for these program thus enabling it to provide stronger direction over the use of the funds.

Therefore in our opinion, the Organization has failed to meet the requirements of subsection 230(2) of the Act.

## **Conclusion**

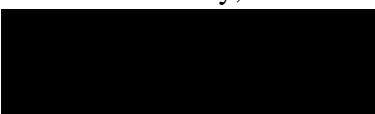
We are confirming the decision to revoke the charitable status of the Organization pursuant to the following paragraphs:

- Paragraph 168(1)(b): ceased to comply with the requirement of the Act related to its registration as such because it has not been operated exclusively for charitable purposes; and
- Paragraph 168(1)(b): failed to meet the definitional requirement of subsection 149.1(1) of the Act whereby no part of the organization income is payable or otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof.

If you disagree with this decision, you may file an appeal with the Federal Court of Appeal within 30 days from the date of mailing of this letter.

Additional information relating to the Federal Court of Appeal is available on the court's website at [fca-caf.gc.ca](http://fca-caf.gc.ca).

Sincerely,

  
Holly Brant  
Manager  
Charities Section  
Tax and Charities Appeals Directorate  
Appeals Branch

Cc: 



March 9, 2020

**REGISTERED MAIL**

David Garland  
Past Chairman  
The Sigma Chi Canadian Foundation

BN: 88944 7249 RR0001  
File #: 0958660

Dear David Garland:

**Subject: Notice of intention to revoke  
The Sigma Chi Canadian Foundation**

We are writing with respect to our letter dated April 11, 2018 (copy enclosed), in which The Sigma Chi Canadian Foundation (the Organization) was invited to respond to the findings of the audit conducted by the Canada Revenue Agency (CRA) for the period from July 1, 2015 to June 30, 2016. Specifically, the Organization was asked to explain why its registration should not be revoked in accordance with subsection 168(1) of the Income Tax Act.

We have reviewed and considered your written response dated June 11, 2018. Your reply has not alleviated our concerns with respect to the Organization's non-compliance with the requirements of the Act for registration as a charity. Our concerns are explained in Appendix A attached.

**Conclusion**

The audit by the CRA found that the Organization is not complying with the requirements set out in the Act. In particular, the audit found that the Organization failed to devote resources to charitable activities carried on by the Organization itself, and failed to maintain adequate books and records. For these reasons, and for each reason alone, it is the position of the CRA that the Organization no longer meets the requirements for charitable registration and should be revoked in the manner described in subsection 168(1) of the Act.

For each of the reasons mentioned in our letter dated April 11, 2018, pursuant to subsections 168(1) and 149.1(2) of the Act, we propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, revocation will be effective on the date of publication of the following notice in the Canada Gazette:

Notice is hereby given, pursuant to paragraphs 168(1)(b), and 168(1)(e), and subsection 149.1(2), of the Income Tax Act, that I propose to revoke the registration of the charity listed below and that by virtue of paragraph 168(2)(b) thereof, the revocation of registration is effective on the date of publication of this notice in the Canada Gazette.

<b>Business number</b>	<b>Name</b>
88944 7249 RR0001	The Sigma Chi Canadian Foundation Toronto ON

Should the Organization choose to object to this notice of intention to revoke the Organization's registration in accordance with subsection 168(4) of the Act, a written notice of objection, with the reasons for objection and all relevant facts, must be filed within **90 days** from the day this letter was mailed. The notice of objection should be sent to:

Tax and Charities Appeals Directorate  
Appeals Branch  
Canada Revenue Agency  
250 Albert Street  
Ottawa ON K1A 0L5

A copy of the revocation notice, described above, will be published in the Canada Gazette after the expiration of 90 days from the date this letter was mailed. As such, the Organization's registration will be revoked on the date of publication, unless the CRA receives an objection to this notice of intention to revoke within this timeframe.

A copy of the relevant provisions of the Act concerning revocation of registration, including appeals from a notice of intention to revoke registration, can be found in Appendix B, attached.

### **Consequences of revocation**

As of the effective date of revocation:

- a) the Organization will no longer be exempt from Part I tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3) and paragraph 110.1(1)(a) of the Act respectively;
- b) by virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the notice of intention to revoke. This revocation tax is calculated on Form T2046, Tax Return Where Registration of a Charity is Revoked (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the notice of intention to revoke. The

relevant provisions of the Act concerning the tax applicable to revoked charities can also be found in Appendix B, Form T2046 and the related Guide RC4424, Completing the Tax Return Where Registration of a Charity is Revoked, are available on our website at [canada.ca/charities-giving](http://canada.ca/charities-giving);

- c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the Excise Tax Act. As a result, the Organization may be subject to obligations and entitlements under the Excise Tax Act that apply to organizations other than charities. If you have any questions about your Goods and Services Tax/Harmonized Sales Tax (GST/HST) obligations and entitlements, please call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

Finally, we advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a return of income with the Minister in the prescribed form, containing prescribed information, for each taxation year. The return of income must be filed without notice or demand.

Yours sincerely,

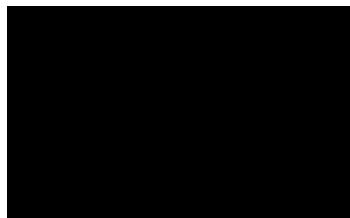


Tony Manconi  
Director General  
Charities Directorate

Enclosures

- CRA letter dated April 11, 2018
- Organization's response letter received June 11, 2018
- Appendix A, Comments on representations
- Appendix B, Relevant provisions of the Act

c.c.:





Mr. David Garland  
Past Chairman  
The Sigma Chi Canadian Foundation

BN: 889447249RR0001  
File#: 0958660

April 11, 2018

**Subject:      Audit of The Sigma Chi Canadian Foundation**

Dear Mr. Garland:

This letter results from the audit of The Sigma Chi Canadian Foundation (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from July 1, 2015 to June 30, 2016.

On February 15, 2018, the Organization was advised that the CRA identified specific areas of non-compliance with the provisions of the *Income Tax Act* and its *Regulations* in the following areas.

<b>AREAS OF NON-COMPLIANCE</b>	
<b>Issue</b>	<b>Reference</b>
1. Failure to devote resources to charitable activities carried on by the Organization itself	149.1(1), 149.1(2), 168(1)(b)
2. Failure to maintain adequate books and records	168(1)(e), 230(2), 230(4)
3. Issuing receipts not in accordance with the <i>Income Tax Act</i> and/or its <i>Regulations</i>	168(1)(d), Reg 3501

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements that apply to registered charities, and offers the Organization an opportunity to respond and present additional information. The Organization must comply with the law; if it does not, its registered status may be revoked in the manner described in section 168 of the *Income Tax Act* (Act).

The CRA must be satisfied that the Organization's activities directly further charitable purposes in a manner permitted under the Act. In making a determination, we are obliged to take into account all relevant information. Accordingly, the current audit

encompassed an enquiry into all aspects of the Organization's operations. The fact that some of the areas of non-compliance identified in this letter may, or may not, have been evaluated in preceding audits does not preclude the need for compliance with existing legal requirements. Furthermore, the CRA may take a position that differs from that reached previously based on reconsideration of the pertinent facts and law.<sup>1</sup>

### Overview

The Organization was registered as a charitable organization effective December 24, 1992, with the following purposes:

- (a) To assist deserving undergraduate, graduate and other students attending or enrolled at institutions and systems of higher education in Canada ("students") who are in financial need to continue and complete their education at such institutions and systems.
- (b) To give recognition and encouragement to academic achievement and excellence by awarding scholarships, grants, aid and financial assistance to deserving students.
- (c) To provide gifts and other financial assistance to institutions and systems of higher learning in Canada which are "qualified donees" for purposes of the Income Tax Act for such of their general purposes as are exclusively charitable.
- (d) To enhance intellectual growth of students through the establishment and development of libraries and the acquisition or provision of educational and learning materials and scholarly aids including electronic data, books, equipment and computer and other electronic or communication hardware and software or the acquisition, construction, maintenance or repair of buildings including residential accommodation for students.
- (e) To provide vocational guidance to students.
- (f) To encourage and develop in students a higher appreciation of the values and obligations of Canadian citizenship.

In order to fulfill these purposes, the Organization stated at the time of registration that its activities would be to provide scholarships and other forms of financial assistance to and for the benefit of students at universities or other post-secondary education institutions in Canada and financial assistance to post-secondary educational institutions in Canada.

The Organization was audited in 2010 for the fiscal period of July 1, 2007 to June 30, 2009, resulting in a compliance agreement to address a number of compliance issues. The Organization agreed to, and signed, the compliance agreement on

---

<sup>1</sup> See for example *Canadian Magen David Adom for Israel v MINR*, 2002 FCA 323 at para 69, [2002] FCJ no 1260, Sharlow JA.

March 4, 2011, which included the following non-compliance issues and the agreed upon resolutions:

- The beneficiaries of the financial assistance were primarily university students who were members of the Canadian chapters of the Sigma Chi fraternity and did not provide documentation to substantiate that the restrictions placed on the benefactors were relevant to achieving the Organization's charitable purposes. The Organization agreed to devote all of its resources to charitable activities and to not restrict the beneficiaries of the financial assistance to Sigma Chi fraternity members in Canada. The Organization would also establish scholarships for first year university students to be administered in conjunction with each respective university, if permitted. Also, if permitted, the Organization agreed it would publicize these scholarships in university publications on financial aid.
- The Organization provided funds to non-qualified donees, organizations that are affiliated with the Sigma Chi fraternity, for repairs and maintenance of residential properties. The Organization agreed that it would not gift funds to non-qualified donees.
- The Organization failed to meet its disbursement quota in that it:
  - Received gifts amounting to \$356,959 and \$94,214 for the years ending June 30, 2008 and 2009 respectively but was unable to provide documentation, such as written trust or direction, demonstrating these were ten-year gifts, as the Organization indicated.
  - Failed to obtain permission from the Charities Directorate to accumulate funds for its five year capital campaign, raising funds to loan to the housing corporations association with the Sigma Chi fraternity for their student facilities.
    - The Organization agreed to take the necessary steps to satisfy its disbursement quota obligations, which included seeking permission from the Charities Directorate to accumulate funds or obtaining written consent and direction from at least 90% of the donors for gifts to be held by the Organization ten years or longer.
- The official donation receipts issued did not satisfy all of the requirements of Regulation 3501, the Act and IT-110R3. The Organization agreed it would take the necessary steps to satisfy all the requirements for its official donation receipts.
- The Organization provided funds to organizations affiliated with the Sigma Chi fraternity as loans for the purchase or refurbishment of student facilities/buildings. There were no loan agreements in place setting out the interest rate and the terms of repayment. Further, 25% of the loans were not secured. The Organization agreed to immediately take the necessary steps to enter into loan agreements with these organizations which formally document the terms and conditions of such loans, the applicable rates of interest and terms of repayment. The Organization also agreed to obtain security for each loan.

The balance of this letter describes the areas of non-compliance identified in the present audit in further detail.

### **Identified areas of non-compliance**

#### **1. Failure to devote resources to charitable activities carried on by the Organization itself**

#### **Legislation, Common Law and/or CRA Guidances**

In order to maintain charitable registration under the Act, Canadian law requires that an organization demonstrate that it is constituted exclusively for charitable purposes (or objects) and that it devotes its resources to charitable activities carried on by the organization itself in furtherance thereof.<sup>2</sup> To be exclusively charitable, a purpose must fall within one or more of the following four categories (also known as "heads") of charity<sup>3</sup> and deliver a public benefit:

- relief of poverty (first category)
- advancement of education (second category)
- advancement of religion (third category)
- certain other purposes beneficial to the community in a way the law regards as charitable (fourth category).

The public benefit test requirement involves a two-part test:

- The first part of the test requires the delivery of a **benefit** that is recognizable and capable of being proved, and socially useful. To be recognizable and capable of being proved, a benefit must generally be tangible or objectively measureable. Benefits that are not tangible or objectively measureable must be shown to be valuable or approved by the common understanding of enlightened opinion for

---

<sup>2</sup> See subsection 149.1(1) of the Act, which requires that a charitable organization devote all of its resources to "charitable activities carried on by the organization itself" except to the extent that an activity falls within the specific exemptions of subsections 149.1(6.1) or (6.2) of the Act relating to political activities, and *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10 at paras 155-159 [*Vancouver Society*]. A registered charity may also devote resources to activities that, while not charitable in and of themselves, are necessary to accomplish their charitable objectives (such as expenditures on fundraising and administration). However, any resources so devoted must be within acceptable legal parameters and the associated activities must not become ends in and of themselves.

<sup>3</sup> The Act does not define charity or what is charitable. The exception is subsection 149.1(1) which defines charitable purposes/objects as including "the disbursement of funds to qualified donees". The CRA must therefore rely on the common law definition, which sets out four broad categories of charity. The four broad charitable purpose/object categories, also known as the four heads of charity, were outlined by Lord Macnaghten in *Commissioners for Special Purposes of the Income Tax v Pemsel*, (1891) AC 531 (PC) [*Pemsel*]. The classification approach was explicitly approved of by the Supreme Court of Canada in *Guaranty Trust Co of Canada v MNR*, [1967] SCR 133, and confirmed in *Vancouver Society*, *supra* note 4.

the time being.<sup>4</sup> In most cases, the benefit should be a necessary<sup>5</sup> and reasonably direct result of how the purpose will be achieved<sup>6</sup> and of the activities that will be conducted to further the purpose, and reasonably achievable in the circumstances.<sup>7</sup> An assumed prospect or possibility of gain that is vague, indescribable or uncertain, or incapable of proof, cannot be said to provide a charitable benefit.<sup>8</sup>

The second part of the test requires the benefit be directed to the public or a sufficient section of the public. This means a registered charity cannot:

- have an eligible beneficiary group that is negligible in size, or restricted based on criteria that are not justified based on the charitable purpose(s); or
- provide an unacceptable private benefit. Typically, a private benefit is a benefit provided to a person or organization that is not a charitable beneficiary, or to a charitable beneficiary that exceeds the bounds of charity. A private benefit will usually be acceptable if it is incidental, meaning it is necessary, reasonable, and not disproportionate to the resulting public benefit,<sup>9</sup> or it falls within legally acceptable boundaries.<sup>10</sup>

Further, it is not enough that a purpose appears to fall within one or more of the four categories of charity and deliver a charitable benefit to a properly defined eligible beneficiary group. The charity is responsible for establishing that any private benefit that may be delivered is acceptable.<sup>11</sup> Organizations established in part for their members, and that provide programs and/or benefits directly for their members, will not generally be considered charitable at law because they lack a sufficient public character.<sup>12</sup> A private benefit will be found when the beneficiaries of the organization's services are defined solely by some personal connection, such as membership in a group unrelated to the need serviced.

<sup>4</sup> See generally *Vancouver Society*, *supra* note 4 at para 41. Gonthier J, dissenting; *Gilmour v Coats et al.* [1949] 1 All ER 848 [Gilmour]; *National Anti-Vivisection Society v IRC*, [1947] 2 All ER 217 at 224 (HL), Wright LJ [*National Anti-Vivisection Society*].

<sup>5</sup> See for example *Incorporated Council of Law Reporting for England and Wales v AG*, [1972] Ch 73. [1971] 3 All ER 1029 (CA); *Royal College of Surgeons of England v National Provincial Bank*, [1952] AC 631; *Royal College of Nursing v St Marylebone Borough Council*, [1959] 1 WLR 1007 (CA); *IRC v Oldham Training and Enterprise Council*, [1996] BTC 539.

<sup>6</sup> See for example *Joseph Rowntree Memorial Housing Association Ltd and Others v AG*, [1983] Ch 159 (Ch D); *In Re Resch's Will Trusts And Others v Perpetual Trustee Co Ltd*, [1969] 1 AC 514 (PC).

<sup>7</sup> See for example *In re Grove-Grady*, [1929] 1 Ch 557 at 573-574; *Plowden v Lawrence*, [1929] 1 Ch 557 at 588, Russell LJ; *National Anti-Vivisection*, *supra* note 6 at 49, Wright LJ; *IRC v Oldham Training and Enterprise Council*, [1996] BTC 539 [Oldham]; *Pemsel*, *supra* note 5 at 583.

<sup>8</sup> See *National Anti-Vivisection Society*, *supra* note 6 at 49, Wright LJ; *In re Shaw decd*, [1957] 1 WLR 729; *Gilmour*, *supra* note 6, Simonds LJ at 446-447.

<sup>9</sup> For more information about public benefit, see CRA Policy Statement CPS-024, *Guidelines for Registering a Charity: Meeting the Public Benefit Test*.

<sup>10</sup> See for example *Prescient Foundation v MNR*, 2013 FCA 120 at para 36, [2013] FCJ no 512.

<sup>11</sup> *Supra* note 6.

<sup>12</sup> *Supra* note 8.

In regards to the granting of a scholarship to be an acceptable charitable activity, there must be a sufficient element of *public benefit* – that is, the criteria to qualify for the scholarship cannot be so narrow or restrictive that the benefit conferred would effectively be to a *private* group of persons. This element is measured by looking at the relationship between the fund and those who are eligible to benefit from it. This is not an issue of how numerically large the group is, but rather whether the eligible beneficiaries are defined by a personal or private link to another person or legal entity. For example, in considering a similar issue in *Dingle v. Turner*,<sup>13</sup> Lord Cross stated:

To establish a trust for the education of the children of employees in a company in which you are interested is no doubt a meritorious act; but however numerous the employees may be the purpose which you are seeking to achieve is not a public purpose. It is a company purpose and there is no reason your fellow taxpayers should contribute to a scheme which by providing 'fringe' benefits for your employees will benefit the company by making their conditions of employment more attractive.

As this passage suggests, a scholarship fund open only to employees of the ABC high-tech corporation would be too privately defined to be considered a charitable activity. Conversely, a scholarship fund for the benefit of high-tech workers generally, would be acceptable as the beneficiaries are not defined by a personal link to a particular company.

Therefore, the question of whether an organization is constituted exclusively for charitable purposes cannot be determined solely by reference to its stated purposes, but must take into account the activities in which the organization currently engages. In *Vancouver Society of Immigrant and Visible Minority Women v MNR*, the Supreme Court of Canada stated as follows:

But the inquiry cannot stop there. In *Guaranty Trust*, *supra* at p. 144, this Court expressed the view that the question of whether an organization was constituted exclusively for charitable purposes cannot be determined solely by reference to the objects and purposes for which it was originally established. It is also necessary to consider the nature of the activities presently carried on by the organization as a potential indicator of whether it has since adopted other purposes. In other words, as Lord Denning put it in *Institution of Mechanical Engineers v Cane*, [1961] A.C. 696 (H.L.), at p. 723, the real question is, "for what purpose is the Society at present instituted?"<sup>14</sup>

<sup>13</sup> [1972] A.C. 601, [1972] 1 All E.R. 878 (H.L.).

<sup>14</sup> *Vancouver Society*, *supra* note 4 at para 194. See also *AYSA Amateur Youth Soccer Association v Canada (Revenue Agency)*, 2007 SCC 42 at para 42, [2007] 3 SCR 217.

A charitable activity is one that directly furthers a charitable purpose, which requires a clear relationship and link between the activity and the purpose it purports to further. If an activity is, or becomes, a substantial focus of an organization, it may no longer be in furtherance of a stated purpose. An organization with a collateral non-charitable purpose is ineligible for registration under the Act.

To comply with the requirement that it devote all of its resources to charitable activities carried on by the organization itself, a registered charity may only use its resources (funds, personnel and/or property) in two ways:

- For its own charitable activities – undertaken by the charity itself under its continued supervision, direction and control; and
- For gifting to “qualified donees” as defined in the Act.<sup>15</sup>

Therefore, except in instances when a charity gifts its resources to a qualified donee, we require a charity show it initiated and directed the activities for which it used its resources and that they were carried out under its supervision and control. A charity can demonstrate that it maintains direction and control through its books and records, which would allow the CRA to verify that the charity’s funds have been spent on its own activities.<sup>16</sup> While the nature and extent of the required direction and control may vary based on the particular activity and circumstances, the absence of appropriate direction and control indicates that an organization is resources a non-qualified donee in contravention of the Act.

## Audit Findings

### Private benefit

The audit revealed that the current activities of the Organization are primarily for the benefit of the active chapters, active brothers and pledges of the Sigma Chi fraternity (Fraternity), thereby providing a private benefit to the Fraternity members. This activity is the focus of the Organization and is not clearly related to one of its purposes, therefore it is our opinion that the Organization has a collateral non-charitable purpose. The Organization’s website states that its mission “is to strengthen Sigma Chi in Canada. The Foundation exists as a vehicle for local Active Chapters, Alumni Chapters and/or House Corporations to raise tax-deductible funds for educational purposes – primarily for the benefit of Active Chapters and Active brothers.”<sup>17</sup>

<sup>15</sup> A “qualified donee” means a donee described in subsection 149.1(1) of the Act.

<sup>16</sup> Supra note 2, and see subsection 230(2) of the Act regarding the maintenance of books and records and records of account. For more information regarding direction and control see CRA Guidance CG-004, *Using an Intermediary to Carry Out Activities Within Canada*

<sup>17</sup> <https://www.sigmachi.ca/purpose/>

The audit results reveal that the majority of the funds are devoted to scholarships, grants and bursaries and are primarily for the Fraternity and its members. The applications, found on the Organization's website,<sup>18</sup> state that the beneficiary of the award must be an active Canadian chapter or an active Canadian brother in an active chapter of the Fraternity. In addition, while some awards require financial need, others assess the applicant and their role within the Fraternity and how they represent the ideals of the Fraternity.<sup>19</sup> By restricting both the eligibility of the applicants and the assessment criteria in such a manner, the Organization demonstrates that the purpose of the awards is to provide a private benefit to the Fraternity chapters and its members. The Organization has not provided a valid reason as to why this restriction is in place, as outlined in guidance CPS-024, *Guidelines for registering a charity: Meeting the public benefit test*.

Upon examination of the Organization's books and records, the resources devoted to scholarships and their mission are as follows:

Scholarships and other mission spending:	<u>2016</u>	<u>2015</u>
Housing Corp Summit	6,700	0
Horizons Leadership Scholarships	10,400	12,800
Leadership Award Entrance Scholarships	16,500	22,500
Chapter Specific Scholarships	59,043	18,550
Balfour Leadership Training Bursaries	11,379	10,982
Graham Scholarships	7,500	7,500
Jim Grimes Awards and General Leadership Scholarships	18,000	17,000
George Fierheller Grade Point Average Awards	<u>2,000</u>	<u>1,000</u>
Total	<u>131,522</u>	<u>90,332</u>

<sup>18</sup> <https://www.sigmachi.ca>

<sup>19</sup> See for example <https://www.sigmachi.ca/fierheller-award/> The George Fierheller GPA award is given to the Fraternity chapters who achieve the highest academic achievement and the most improved academic standing amongst the ten active Canadian chapters. See <https://www.sigmachi.ca/graham-scholarships/> The Graham Scholarships are awarded to "Brothers who have shown excellence in their academic, Sigma Chi and extracurricular careers" and the assessment includes their "activity within the Fraternity." See <https://www.sigmachi.ca/grimes-brotherhood-awards/> The Jim Grimes Brotherhood Scholarships are "designed to recognize invaluable contribution from brothers who are "unsung heroes" within Chapters across Canada" and "who consistently contribute to the success of their chapters and are a credit to the Fraternity"; while the assessment includes "[A]ctive contribution to the Fraternity" and "[B]rothers who exemplify the Sigma Chi Creed." See <https://www.sigmachi.ca/bltw-leadership-training/> The Balfour Leadership Training Workshop Bursaries is "[T]o assist Active Chapter brothers in attending the annual Balfour Leadership Training Workshop" and to pay for "[A]ny Active Chapter expenses related to Active Brothers' attendance at BLTW." To receive the reimbursement the Fraternity member submits the funding application along with the receipts, however, if the receipts are not submitted by the required date, the reimbursement then becomes a chapter loan. According to the Balfour Leadership Training Workshop website (<http://balfourltw.sigmachi.org/>) the event is "Sigma Chi's annual summer conference at which the leadership from undergraduate chapters across North America convene to learn and practice skills that will be implemented in their home chapters."

In the 2016 fiscal period, 79% of the total expenses claimed were spent on scholarships and missions, and in the 2015 fiscal period, 51% of the total expenses were devoted to this activity.

We do recognize that resources were expended for the Leadership Award Entrance Scholarship, for which funds were given to individual Canadian universities, and which constitute gifts made to qualified donees. The funds devoted to these scholarships represented 12% of the scholarship expenditures for the 2016 fiscal period and 25% in the 2015 fiscal period. While the provision of funds to these Canadian universities is an acceptable charitable activity, in furtherance of the Organization's charitable purpose, this does not negate the fact that these funds represent only a portion of the funds the Organization expends on its activities.

Further, as the Organization devotes its resources to providing the private benefit to the Fraternity, its chapters and its active members, it appears that it has a collateral non-charitable purpose of providing a private benefit to these organizations and individuals.

#### Gifting to non-qualified donees

The audit revealed that the Organization gifted funds to non-qualified donees through loans to Sigma Chi fraternity housing corporations.

The Organization has repeatedly loaned funds to various Fraternity housing corporations over several years, ostensibly for the purchase of educational materials, scholarly aids and/or electronic materials and to purchase, construct, renovate and/or maintain the student residences for Fraternity members. However, it has failed to provide documentation clearly stating the purpose of each loan and the relevant terms and conditions. The only documentation provided is in the form of promissory notes to cover some of the loans receivable subsequent to March 4, 2011. While the promissory notes that were provided are acceptable, due to the lack of documentation regarding the outstanding amounts of the loans receivable, we are unable to confirm that these amounts are loans and not the provision of funds to non-qualified donees. It therefore appears that the Organization has gifted funds to non-qualified donees.

#### Direction and control

The audit revealed that the Organization does not maintain direction and control over its Horizons Interactive Leadership Scholarship, which is the provision of funds to an undergraduate Fraternity member to attend a six-day leadership experience. While the Organization provides the funds for the scholarship it is administered by the Sigma Chi Fraternity in Utah, Illinois. The successful applicants are selected by a US committee, of which only two of the twelve board members are representatives of the Organization. As the Organization does not have the final decision as to the recipient of the scholarship it does not have direction and control over the use of its funds.

It is our position that by pursuing these activities, the Organization has failed to demonstrate it qualifies for continued registration under 149.1(1) as a charitable organization that devotes all of its resources to charitable activities carried on by the organization itself. For this reason, it appears there may be grounds for revocation of the Organization's registered charity status under subsection 168(1)(b) of the Act.

## **2. Failure to maintain adequate books and records**

### **Legislation, Common Law and/or CRA Guidances**

Pursuant to subsection 230(2) of the Act, every registered charity "shall keep records and books of account [...] at an address in Canada recorded with the Minister or designated by the Minister – containing

- (a) information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act;
- (b) a duplicate of each receipt containing prescribed information for a donation received by it; and
- (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act."

In addition, subsection 230(4) also states "[E]very person required by this section to keep records and books of account shall retain

- (a) the records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such period as is prescribed; and
- (b) all other records and books of account referred to in this section, together with every account and voucher necessary to verify the information contained therein, until the expiration of six years from the end of the last taxation year to which the records and books of account relate."

The policy of the CRA relating to the maintenance of books and records, and books of account, is based on several judicial determinations and the law, which have held that:

- i. it is the responsibility of the registered charity to prove that its charitable status should not be revoked;<sup>20</sup>
- ii. a registered charity must maintain, and make available to the CRA at the time of an audit, meaningful books and records, regardless of its size or resources.

---

<sup>20</sup> See *Canadian Committee for the Tel Aviv Foundation*, 2002 FCA 72 at paras 26-27, [2002] 2 CTC 93.

It is not sufficient to supply the required documentation and records subsequent thereto;<sup>21</sup> and

iii. the failure to maintain proper books, records, and records of account in accordance with the requirements of the Act is itself sufficient reason to revoke an organization's charitable status in the case of material or repeated non-compliance.<sup>22</sup>

### Audit findings

Our review has indicated that the Organization failed to maintain adequate books and records in the following facets of the Organization's operations:

- The Organization holds loans which are receivable from Sigma Chi Housing Corporations at various chapters. The Organization failed to provide loan agreements to formally document the total amount owing from the affiliated housing corporations. Subsequent to the previous audit the Organization agreed to enter into formal loan agreements with the housing corporations affiliated with the Fraternity which fully document the terms and conditions of such loans, including the applicable rates of interest and terms of repayment. The loans receivable are as follows:

Housing Corporation:	<u>2016</u>	<u>2015</u>
[REDACTED]	208,756	208,756
[REDACTED]	29,982	29,982
[REDACTED]	403,015	403,015
[REDACTED]	368,000	324,000
[REDACTED]	<u>293,000</u>	<u>293,000</u>
	<u>1,302,753</u>	<u>1,258,753</u>

To comply with the compliance agreement, the Organization provided the following promissory notes to cover the amounts loaned subsequent to March 4, 2011:

Housing Corporation:	Promissory Note
[REDACTED]	15,000
[REDACTED]	2,000
[REDACTED]	25,000
[REDACTED]	90,000
[REDACTED]	<u>25,000</u>
	<u>157,000</u>

<sup>21</sup> Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72 at para 39, [2002] 2 CTC 93. Furthermore, failing to comply with the requirements of section 230 of the Act by refusing to make documents available can lead to a fine and imprisonment, in addition to the penalty otherwise provided. See subsection 238(1) of the Act.

<sup>22</sup> See President Foundation v MNR, 2013 FCA 120 at para 51, [2013] FCJ no 512.

While the promissory notes reviewed are acceptable, in that they document the terms and conditions, along with the applicable rates of interest and terms of repayment, they only account for 12% of the total amount receivable from the housing corporations, leaving 88% of the amounts reported as receivable without a formal loan agreement. Also, as per the mortgage schedule provided, the Organization loaned [REDACTED] \$25,000 on June 1, 2015.<sup>23</sup> A promissory note or loan agreement was not provided to formally document the terms and conditions.

- The Organization failed to obtain security for the \$403,015 loan to [REDACTED]. The loan accounts for 31% of the total loan receivable in the 2016 fiscal year, and 32% in the 2015 fiscal year. Subsequent to the previous audit the Organization agreed to obtain security for each loan. The Organization loaned an additional \$25,000<sup>24</sup> to the [REDACTED] on January 28, 2015, without having obtained security for the outstanding amount. Also, in regards to the \$293,000 loan to the [REDACTED] the Organization did not provide documentation to prove that the mortgage is registered against the property title. Due to the lack of security obtained, the Organization has put its resources at risk.
- The Organization did not provide documentation regarding the selection criteria and process followed by the Scholarships & Grants Committee, or any meeting minutes which would have included discussions regarding the selection of the scholarship recipients. Therefore, we are unable to determine how the recipients of the scholarships, grants and bursaries are selected.

Under paragraph 168(1)(e) of the Act, the registration of a charity may be revoked if it fails to comply with or contravenes subsection 230(2) of the Act, regarding the books and records. It is our position that the present case consists of material non-compliance. For this reason, it appears that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

#### **The Organization's options:**

##### **a) No response**

The Organization may choose not to respond. In that case, the Director General of the Charities Directorate may issue a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

<sup>23</sup> \$25,000 is included in the total amount owing of \$293,000 from [REDACTED]  
<sup>24</sup> \$25,000 is included in the total amount owing of \$403,015 from [REDACTED]

**b) Response**

If the Organization chooses to respond, send written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter to the address below. After considering the response, the Director General of the Charities Directorate will decide on the appropriate course of action. The possible actions include:

- no compliance action;
- issuing an educational letter;
- resolving the issues through a Compliance Agreement;
- applying penalties or suspensions or both, as described in sections 188.1 and 188.2 of the Act; or
- issuing a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

If the Organization appoints a third party to represent it in this matter, send us a written request with the individual's name, the individual's contact information, and explicit authorization that the individual can discuss the file with us.

If you have any questions or require further information or clarification, do not hesitate to contact me at the numbers indicated below. My team leader, Maria Grieco, may also be reached at (519) 584-3974.

Yours sincerely

Karen Lockridge  
Audit Division  
East Central Ontario Tax Service Office

Telephone: (613) 541-7440  
Toll Free: 1-800-588-8035  
Facsimile: (613) 541-7161  
Address: 102 – 1475 John Counter Blvd.  
Kingston, ON K7M 0E6

c.c.: Mr. David Lucescu, Treasurer

## FACSIMILE REPORT

**DATE:** June 11, 2018

**NO. OF PAGES:** 35 (including this cover page)

**SEND TO:** Canada Revenue Agency  
East Central Ontario Tax Service Office  
Kingston, ON K7M 0E6

**Attention:** Karen Lockridge, Audit Division

**FAX NO.:** (613) 541-7161

**FROM:**

**REFERENCE:** Response to the audit of The Sigma Chi Canadian Foundation  
BN: 889447249 RR0001  
Your File No.: 0958660

**MESSAGE:** Please see attached

*Should you not receive all of the pages, please call*

### CONFIDENTIALITY NOTE:

This facsimile may contain private, confidential or legally privileged information. Any unauthorized use, discussion, distribution or copying of the information contained herein is strictly prohibited. If you are not the intended recipient, please immediately notify us by telephone or by fax and return the original message to us by mail without reviewing the contents hereof. Thank you for your cooperation.

SENT BY FAX TO (613) 541-7161

June 11, 2018

Canada Revenue Agency  
East Central Ontario Tax Service Office  
Kingston, ON K7M 0E6

Attention: Karen Lockridge, Audit Division

Dear Ms. Lockridge,

Re: Response to the audit of The Sigma Chi Canadian Foundation (the "Charity")  
BN: 889447249 RR0001  
Your File No.: 0958660

This is further to your letter dated April 11, 2018 addressed to the Charity and our telephone discussion on June 11, 2018. We have been retained by the Charity to assist with responding to the concerns raised in the audit. We appreciate the opportunity you provided to the Charity to respond to the issues outlined in your letter. The Charity will address the points raised in your letter below.

### 1. Background on the Charity

The Charity focuses its efforts on enhancing higher education in Canada through leadership training, scholarships, and other forms of assistance to students at universities and other post-secondary institutions. It has the following objects:

- a) To assist deserving undergraduate, graduate and other students attending or enrolled at institutions and systems of higher education in Canada ("students") who are in financial need to continue and complete their education at such institutions and systems.
- b) To give recognition and encouragement to academic achievement and excellence by awarding scholarships, grants, aid and financial assistance to deserving students.
- c) To provide gifts and other financial assistance to institutions and systems of higher learning in Canada which are "qualified donees" for purposes of the Income Tax Act for such of their general purposes as are exclusively charitable.
- d) To enhance intellectual growth of students through the establishment and development of libraries and the acquisition or provision of educational and learning materials and

scholarly aids including electronic data, books, equipment and computer and other electronic or communication hardware and software or the acquisition, construction, maintenance or repair of buildings including residential accommodation for students.

- c) To provide vocational guidance to students.
- f) To encourage and develop in students a higher appreciation of the values and obligations of Canadian citizenship.

While delivering its charitable programs, the Charity targets post-secondary students who have been accepted as members of various Sigma Chi chapters on university campuses. These student members consist of pledges and active members. The pledge program is a probationary period for prospective members before their initiation into full membership. At any given time, there are approximately 250 pledges and 500 active members at universities across Canada.

Student membership at Sigma Chi is open to all male university students. Applicants for membership are evaluated based on merit according to "The Jordan Standard":

- a) A man of good character,
- b) A student of fair ability,
- c) With ambitious purposes,
- d) A congenial disposition,
- e) Possessed of good morals,
- f) Having a high sense of honor, and
- g) A deep sense of personal responsibility.

All male university students who meet these objective criteria can become a Sigma Chi student member. The criteria value the same attributes as many other merit-based leadership development and financial assistance programs that are offered at universities, colleges, and other scholarship foundations.

Moreover, the legal members of the Charity, who also comprise the Charity's directors and officers, are a few older Sigma Chi alumni who are giving back to the community. These alumni have no personal relationship with Sigma Chi student members and give back to the organization because they value the role Sigma Chi played in their own personal development.

For the students to become members, they do not need to live in any of the student housing provided by various Sigma Chi housing corporations. Whether living in these houses or not, the student members have access to all educational benefits the Charity has to offer, including scholarships, leadership training, and mentorship from alumni.

The Charity is similar to other scholarship foundations, such as the Loran Scholars Foundation, which gives out far more generous Loran Awards that include:

- a) An annual stipend of \$10,000,
- b) A matching tuition waiver from one of 25 partner universities,
- c) Personal mentorship from a Canadian leader,

- d) Access to its network and up to \$10,000 in funding for summer internships in three different sectors,
- e) An orientation expedition through Algonquin Park, and
- f) Annual retreats and scholar gatherings.<sup>1</sup>

Although the Charity refers to Sigma Chi as a fraternity, this is just an age-old name for an open and merit-based community of education benefit recipients like the community of Loran Scholars. Within this community, the Charity develops, implements, and monitors programs that foster leadership, build character and a moral value system, and promote positive relationship skills that, in turn, help their members develop themselves as productive and caring participants of society.

## 2. Inhouse Scholarships

During the audit period of July 1, 2015 to June 30, 2016, the Charity provided inhouse scholarships in the following amounts:

Chapter Specific Scholarships	\$59,043
Balfour Leadership Training Bursaries	\$11,379
Graham Scholarships	\$7,500
Jim Grimes Awards and General Leadership Scholarships	\$18,000
George Fierheller Grade Point Average Awards	\$2,000
<b>TOTAL</b>	<b>\$97,922</b>

### Chapter Specific Scholarships

This heading includes need-based financial assistance for students living in the chapter houses to help these students with the cost of living. All Sigma Chi student members are eligible for this accommodation assistance. It is usually in the amount of \$500 or \$1,000 for each student.

This heading also includes merit-based scholarships local chapters give out with awards ranging from \$500 to \$1,500 and are typically given for Balfour Winner, Highest Grade Point Average ("GPA") (Balfour Winner cannot win), 2nd Highest GPA, 3rd Highest GPA, and Most Improved GPA for Members and Pledges.

### Balfour Leadership Training Bursaries

These bursaries help student members with the costs of attending the Balfour Leadership Training Workshop, which occurs every summer as a gathering of over 1500 undergraduate student leaders for a series of leadership development workshops over the course of three days.

The bursaries cover transportation costs and workshop programming fees. Each bursary ranges from \$500 to \$1,500 depending on how far the student members are traveling, what other sources of funding they have, and how many student members apply for these bursaries.

<sup>1</sup> <http://www.loranscholar.ca/becoming-a-scholar/>

### Graham Scholarships

All student members are eligible provided they will be enrolled in a full-time program during the academic year, either as an undergraduate or a graduate student. Two recipients are selected each year from all applicants for this scholarship.

Applicant applies via the Sigma Chi website and must provide full academic transcript and two letters of recommendation. One letter must be written by a Sigma Chi alumnus. The second should be written by a professor or member of the community outside of Sigma Chi.

The Charity's scholarship & grants committee reviews all entries, verifies information when required, and independently rates all applicants based on academic standing, activity within Sigma Chi, and involvement in the broader community (both within and outside university activities).

The award is described on the Sigma Chi website, advertised through Facebook, and announced at chapter meetings. Emails are cascaded through distribution lists maintained by individual chapters.

### Jim Grimes Awards

All student members are eligible provided they will be enrolled in a full-time program during the following academic year, either as an undergraduate or as a graduate student. Up to one recipient from each chapter are selected every year from all applicants for this scholarship.

The nominations are submitted by local chapters and made in writing using the application form. However, additional information can be attached to the form including letters of support or other relevant documents. There is one nomination per chapter.

The Charity's scholarship & grants committee reviews all entries verifies information when required, and independently rates all applicants based on active contributions within Sigma Chi. Recipients of this award cannot receive another award from the Charity and this award can only be given once to the same student member.

The award is described on the Sigma Chi website. Local chapters are also contacted directly.

### General Leadership Scholarships

All student members are eligible provided they will be enrolled in a full-time program during the academic year, either as an undergraduate or a graduate student. Up to one recipient from each chapter are selected every year from all applicants for this scholarship.

Applicant applies via the Sigma Chi website and must provide full academic transcript and two letters of recommendation. Also, an essay about financial need is required.

The Charity's scholarship & grants committee reviews all entries verifies information when required, and independently rates all applicants based on demonstrated values-based leadership, cumulative GPA, and evidence of financial need.

The award is described on the Sigma Chi website, advertised through Facebook, and announced at chapter meetings. Emails are cascaded through distribution lists maintained by individual chapters.

#### George Fierheller Grade Point Average Awards

Two of these merit-based awards are given out each year to local chapters across Canada. The chapter with the highest GPA standing receives recognition, a plaque, and \$1,250. The most improved chapter receives recognition, a plaque, and \$750.

Individual chapters do not apply. The awards are determined based on the academic data submitted as a part of Sigma Chi International's Peterson Award applications made by each chapter.

The Charity's scholarship & grants committee collects and normalizes data based on academic equivalency from Canadian universities to determine the highest and most improved award recipients.

The award is described on the Sigma Chi website. All chapters are encouraged to apply for their Peterson Award in order to establish baseline for those who may qualify in subsequent years for the most improved award.

#### **3. Housing Corp Summit**

During the audit period, the Charity spent \$6,700 on a summit for housing corporations. Contrary to the Charity's financial statement during the audit period, this summit was not a charitable programming, but an administrative expense.

It was an event that is staged as deemed necessary (the previous one was held some 4 or 5 years earlier) whereby the Charity invited a representative from each of the housing corporations to attend an overnight conference in Toronto. The agenda was to review the available scholarships, the developmental work of the Charity, best practices, and mortgage documents/security, as well as specific housing issues like insurance and cleaning.

The Charity covered the hotel bill, mileage to/from, flights to/from and meals for the Saturday event. This summit only occurred in 2016 and is not an annual event.

#### **4. Horizons Leadership Scholarships**

During the audit period, the Charity provided \$10,400 to 14 Canadian student members for them to attend the Horizons Huntsman Leadership Summit held by Sigma Chi US.

Over the course of six days, undergraduate participants learn how a person's leadership is directly linked to his values and character, how to incorporate high-minded values into a lifelong practice of leadership, and how to discover and utilize his talents to reach his full potential.

The cost of running this leadership conference for Sigma Chi US is approximately \$3,350 per student. However, the per student cost to the Charity is only about \$740. The rest is subsidized by Sigma Chi US.

The Charity issues T4As to the participating Canadian student members that reflect their individual shares of the total funds provided for their participation in the sessions. The Charity flows the scholarships directly to the leadership conference for ease of funding.

Moreover, the Charity has one out of eight seats on the governing board of this leadership conference and two out of sixteen seats on the selection committee. The Charity can increase its presence on these boards and committees if the Charities Directorate considers it necessary.

#### **5. Leadership Entrance Scholarships**

Through gifts to qualified donees, the Charity has established Leadership Entrance Scholarships at the various Canadian universities, including:

- a) Bishop's University,
- b) Dalhousie University,
- c) McGill University,
- d) Ryerson University,
- e) Saint Mary's University,
- f) Simon Fraser University,
- g) The University of British Columbia,
- h) University of Ottawa,
- i) University of Toronto,
- j) University of Waterloo,
- k) University of Windsor,
- l) Western University, and
- m) Wilfrid Laurier University.

These universities have agreed with the Charity that the Leadership Entrance Scholarships will be open to all first-year male and female students, and the selection for recipients will be based on the same objective merit-based criteria as reflected in The Jordan Standard.

During the audit period, the Charity gifted \$16,500 to these universities for the scholarships the Charity has established there, and this constituted 13% of the Charity's scholarship expenditures. In other years, this number has been as high as 20% of the total scholarship expenditures.

#### **6. Future of the Scholarships Programs**

The Charity is willing and ready to restructure its scholarship programs in consultation with the Charities Directorate, if the Charities Directorate considers such restructuring necessary for the Charity to meet the public benefit test.

As an option, the Charity is amenable to increasing the percentage proportion of its leadership award entrance scholarships that are hosted at various Canadian universities among the Charity's total scholarship expenditures from the 12% in 2016 to a higher amount going forward.

As another option, the Charity has discussed with Sigma Chi US the possibility of them taking over the Charity's scholarship programs. The Charity could amend its objects and reallocate its scholarship expenditures to running workshops for Sigma Chi student members on issues such as mental health awareness and substance abuse prevention.

The Charity will not make any of these changes without first discussing their appropriateness with the Charities Directorate.

#### 7. Housing Corporation Loans

During the audit period, the Charity has the following loans receivable from various housing corporations:

	\$208,756
	\$29,982
	\$403,015
	\$368,000
	\$293,000

As of March 31<sup>st</sup>, 2018, the outstanding loan amounts from these housing corporations are as follows:

	\$196,812.61
	\$104,982.20
	\$420,675.33
	\$416,300.00
	\$313,000.00

The Charity attaches as Schedule A loan agreements covering all amounts outstanding from each of the housing corporations at [REDACTED].

The Charity attaches as Schedule B evidence regarding [REDACTED] mortgage's registration on title.

The Charity also attaches as Schedule C [REDACTED] s financial statement as of March 30<sup>th</sup>, 2018 showing an outstanding loan amount of \$420,675 owing to the Charity.

The Charity is using its best effort to obtain further loan documentation and security from [REDACTED]. If no such documentation is forthcoming within 30 days of this letter, the Charity is prepared to commence a legal action to recall the loan.

**8. Additional Thoughts**

We hope this letter explains the Charity's situation and its efforts to bring itself into compliance. The Charity believes in the very good work it does and benefits it brings to Canada and would certainly like to resolve any outstanding issues. The Charity is open to considering other steps that the Charities Directorate may suggest. As the issue of scholarships, youth and public benefit is complicated and it may have evolved over the last few decades if the Charities Directorate continues to have concerns about the operation of the Charity, the Charity is prepared to discuss other options such as annulling the Charity's charitable status if necessary.

If you have any further questions, please do not hesitate to contact us. We would welcome the opportunity to discuss this matter further.

Per: [REDACTED]

## Schedule A

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") has an effective date of March 31, 2018  
BETWEEN:

The Sigma Chi Canadian Foundation  
55 Bloor Street West, PO Box 19605  
Toronto, ON M4W 3T9 (the "Lender")

AND

[REDACTED] (the "Borrower")

IN CONSIDERATION OF the Lender loaning certain monies (the "Loan") to the Borrower, and the Borrower repaying the Loan to the Lender, both parties agree to keep, perform and fulfill the promises and conditions set out in this Agreement:

Loan Amount & Interest

1. The Lender promises to loan a maximum of \$750,000.00 CAD to the Borrower and the Borrower promises to repay this principal amount to the Lender, with interest payable on the unpaid principal at the rate of 1.00 percent per annum, calculated yearly not in advance. The balance of the amounts drawn to June 30, 2017 is \$416,300.00 and interest of \$4,163.00 will have accumulated by June 30, 2018.

Payment

2. This Loan will be repaid in consecutive yearly instalments according to the attached schedule commencing on June 30, 2018 and continuing on the 30th of June of each following year with the balance then owing under this Agreement being paid on June 30, 2052. Instalments are considered overdue after ninety-one days following the 30th of June each year.
3. At any time whether in default or while not in default under this Agreement, the Borrower may pay the outstanding balance then owing under this Agreement to the Lender without further bonus or penalty.

Default

4. Notwithstanding anything to the contrary in this Agreement, if the Borrower defaults in the performance of any obligation under this Agreement, then the Lender may declare the principal amount owing and interest due under this Agreement at that time to be immediately due and payable.
5. If the Borrower defaults in payment as required under this Agreement or after demand for ten (10) days, the Security will be immediately provided to the Lender and the Lender is granted all rights of repossession and procedure as a secured party.

Additional Draws or Additional Payments:

6. Should an additional draw(s) on the mortgage be taken, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the additional draws are repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the added draw(s).
7. Should an Additional Payment be made over and above the required payments for a year, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the reduced principal is repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the reduced principal.

Interest Rate

8. The rate is fixed at the Canada Revenue Agency (CRA) prescribed rate of 1.0% as stipulated for the period ending March 31, 2018 and is now fixed going forward. However, any new draws will be considered a new tranche and rates for the new tranche(s) will be set according to the then prevailing CRA prescribed rate.

Security:

9. This Loan is secured by the following security (the "Security"): House and Property at [REDACTED]
10. The Borrower grants to the Lender a security interest in the Security until this Loan is paid in full. If possible, the Lender will be listed as a lender on the title of the Security whether or not the Lender elects to perfect the security interest in the Security. The Borrower will do everything necessary to assist the Lender in perfecting its security interest.

Governing Law

11. This Agreement will be construed in accordance with and governed by the laws of the Province of Ontario.

Costs

12. All costs, expenses and expenditures including without limitation, the complete legal costs incurred by enforcing this Agreement as a result of any default by the Borrower, will be added to the principal then outstanding and will immediately be paid by the Borrower.

Binding Effect

13. This Agreement will pass to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the Borrower and Lender. The Borrower waives presentment for payment, notice of non-payment, protest, and notice of protest.

Amendments

14. This Agreement may only be amended or modified by a written instrument executed by both the Borrower and the Lender.

Severability

15. The clauses and paragraphs contained in this Agreement are intended to be read and construed independently of each other. If any term, covenant, condition or provision of this

Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Agreement will in no way be affected, unpaired or invalidated as a result.

**General Provisions**

16. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

**Entire Agreement**

17. This Agreement constitutes the entire agreement between the parties and there are no further items or provisions, either oral or otherwise.

IN WITNESS WHEREOF, the parties have duly affixed their signatures under hand and corporate seal (if a seal exists) on this 30 day of May, 2018.

SIGNED AND DELIVERED

This 25 day of May, 2018

The Sigma Chi Canadian Foundation

per

David MacNicol, President

Gerald Salvati, Treasurer

with authority to bind

SIGNED AND DELIVERED

This 25 day of May, 2018

per

President

Secretary

with authority to bind

**SCHEDULE A**

		Interest	Payment	Principal Repaid	BALANCE
	Balance June 30, 2017				\$420,463.00
1	30-Jun-18	\$4,163.00	\$4,163.00	\$0.00	\$420,463.00
2	30-Jun-19	\$4,204.63	\$14,650.00	-\$10,445.37	\$410,017.63
3	30-Jun-20	\$4,100.18	\$14,650.00	-\$10,540.82	\$399,467.81
4	30-Jun-21	\$3,994.68	\$14,650.00	-\$10,655.32	\$388,812.48
5	30-Jun-22	\$3,888.12	\$14,650.00	-\$10,781.88	\$378,050.61
6	30-Jun-23	\$3,780.51	\$14,650.00	-\$10,869.49	\$367,181.12
7	30-Jun-24	\$3,671.81	\$14,650.00	-\$10,978.19	\$356,202.93
8	30-Jun-25	\$3,562.03	\$14,650.00	-\$11,087.97	\$345,114.96
9	30-Jun-26	\$3,451.16	\$14,650.00	-\$11,198.85	\$333,916.11
10	30-Jun-27	\$3,339.16	\$14,650.00	-\$11,310.84	\$322,606.27
11	30-Jun-28	\$3,226.05	\$14,650.00	-\$11,423.95	\$311,181.32
12	30-Jun-29	\$3,111.61	\$14,650.00	-\$11,538.19	\$299,643.13
13	30-Jun-30	\$2,996.43	\$14,650.00	-\$11,653.57	\$287,989.56
14	30-Jun-31	\$2,879.90	\$14,650.00	-\$11,770.10	\$276,218.46
15	30-Jun-32	\$2,782.19	\$14,650.00	-\$11,887.81	\$264,331.65
16	30-Jun-33	\$2,643.32	\$14,650.00	-\$12,008.88	\$252,324.97
17	30-Jun-34	\$2,523.25	\$14,650.00	-\$12,126.75	\$240,198.22
18	30-Jun-35	\$2,401.98	\$14,650.00	-\$12,248.02	\$227,950.20
19	30-Jun-36	\$2,279.50	\$14,650.00	-\$12,370.50	\$215,579.70
20	30-Jun-37	\$2,155.80	\$14,650.00	-\$12,494.20	\$203,085.50
21	30-Jun-38	\$2,030.89	\$14,650.00	-\$12,619.14	\$190,486.36
22	30-Jun-39	\$1,904.66	\$14,650.00	-\$12,745.34	\$177,721.02
23	30-Jun-40	\$1,777.21	\$14,650.00	-\$12,872.79	\$164,848.23
24	30-Jun-41	\$1,648.48	\$14,650.00	-\$13,001.52	\$151,848.71
25	30-Jun-42	\$1,518.47	\$14,650.00	-\$13,131.53	\$138,715.18
26	30-Jun-43	\$1,387.15	\$14,650.00	-\$13,262.85	\$125,452.33
27	30-Jun-44	\$1,254.52	\$14,650.00	-\$13,395.48	\$112,056.85
28	30-Jun-45	\$1,120.57	\$14,650.00	-\$13,529.43	\$98,527.42
29	30-Jun-46	\$985.27	\$14,650.00	-\$13,664.73	\$84,862.70
30	30-Jun-47	\$848.63	\$14,650.00	-\$13,801.37	\$71,061.32
31	30-Jun-48	\$710.61	\$14,650.00	-\$13,939.39	\$57,121.94
32	30-Jun-49	\$571.22	\$14,650.00	-\$14,078.78	\$43,043.16
33	30-Jun-50	\$430.43	\$14,650.00	-\$14,219.57	\$28,823.59
34	30-Jun-51	\$288.24	\$14,650.00	-\$14,361.76	\$14,461.82
35	30-Jun-52	\$144.62	\$14,650.00	-\$14,481.82	\$0.00

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") has an effective date of March 31, 2018  
BETWEEN:

The Sigma Chi Canadian Foundation  
55 Bloor Street West, PO Box 19605  
Toronto, ON M4W 3T9  
(the "Lender")

AND

[REDACTED]  
[REDACTED]  
(the "Borrower")

IN CONSIDERATION OF the Lender loaning certain monies (the "Loan") to the Borrower, and the Borrower repaying the Loan to the Lender, both parties agree to keep, perform and fulfill the promises and conditions set out in this Agreement:

### Loan Amount & Interest

1. The Lender promises to loan a maximum of \$500,000.00 CAD to the Borrower and the Borrower promises to repay this principal amount to the Lender, with interest payable on the unpaid principal at the rate of 1.00 percent per annum, calculated yearly not in advance. The balance of the amounts drawn to March 31, 2018 is \$313,000.00 plus accumulated interest of \$8,057.50 with additional interest of \$782.50 accumulating by June 30, 2018.

### Payment

2. This Loan will be repaid in consecutive yearly installments according to the attached schedule commencing on June 30, 2018 and continuing on the 30th of June of each following year with the balance then owing under this Agreement being paid on June 30, 2052. Instalments are considered overdue after ninety-one days following the 30th of June each year.
3. At any time whether in default or while not in default under this Agreement, the Borrower may pay the outstanding balance then owing under this Agreement to the Lender without further bonus or penalty.

### Default

4. Notwithstanding anything to the contrary in this Agreement, if the Borrower defaults in the performance of any obligation under this Agreement, then the Lender may declare the principal amount owing and interest due under this Agreement at that time to be immediately due and payable.
5. If the Borrower defaults in payment as required under this Agreement or after demand for ten (10) days, the Security will be immediately provided to the Lender and the Lender is granted all rights of repossession and procedure as a secured party.

**Additional Draws or Additional Payments**

6. Should an additional draw(s) on the mortgage be taken, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the additional draws are repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the added draw(s).
7. Should an Additional Payment be made over and above the required payments for a year, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the reduced principal is repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the reduced principal.

**Interest Rate**

8. The rate is fixed at the Canada Revenue Agency (CRA) prescribed rate of 1.0% as stipulated for the period ending March 31, 2018 and is now fixed going forward. However, any new draws will be considered a new tranche and rates for the new tranche(s) will be set according to the then prevailing CRA prescribed rate.

**Security**

9. This Loan is secured by the following security (the "Security"): House and Property at [REDACTED] Waterloo, Ontario. Should the House and Property of [REDACTED] be disposed or sold before full repayment under the terms of this Agreement are complete, the Lender may, upon review of the details and at its sole discretion, either require a repayment in full at that time, or allow a suitable replacement collateral property of similar value to be used as a security interest, or another such outcome as agreed upon by the Lender and Borrower within 30 days of a sale or disposal.
10. The Borrower grants to the Lender a security interest in the Security until this Loan is paid in full. If possible, the Lender will be listed as a lender on the title of the Security whether or not the Lender elects to perfect the security interest in the Security. The Borrower will do everything necessary to assist the Lender in perfecting its security interest.

**Governing Law**

11. This Agreement will be construed in accordance with and governed by the laws of the Province of Ontario.

**Costs**

12. All costs, expenses and expenditures including without limitation, the complete legal costs incurred by enforcing this Agreement as a result of any default by the Borrower, will be added to the principal then outstanding and will immediately be paid by the Borrower.

**Binding Effect**

13. This Agreement will pass to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the Borrower and Lender. The Borrower waives presentment for payment, notice of non-payment, protest, and notice of protest.

Amendments

14. This Agreement may only be amended or modified by a written instrument executed by both the Borrower and the Lender.

Severability

15. The clauses and paragraphs contained in this Agreement are intended to be read and construed independently of each other. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Agreement will in no way be affected, unpaired or invalidated as a result.

General Provisions

16. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

Entire Agreement

17. This Agreement constitutes the entire agreement between the parties and there are no further items or provisions, either oral or otherwise.

IN WITNESS WHEREOF, the parties have duly affixed their signatures under hand and corporate seal (if a seal exists) on this 7<sup>th</sup> day of May, 2018.

SIGNED AND DELIVERED

This 7<sup>th</sup> day of May, 2018

The Sigma Chi Canadian Foundation

per

David MacNeil, President

Gerald Salvati, Treasurer

with authority to bind

SIGNED AND DELIVERED

This 23<sup>rd</sup> day of May, 2018

per

President

Treasurer

with authority to bind

**SCHEDULE A**

		Interest	Payment	Principal Repaid	BALANCE
		Balance March 31, 2018			\$321,057.50
1	30-Jun-18	\$782.50	\$8,840.00	-\$8,057.50	\$313,000.00
2	30-Jun-19	\$3,130.00	\$10,905.00	-\$7,775.00	\$305,225.00
3	30-Jun-20	\$3,052.25	\$10,905.00	-\$7,852.75	\$297,372.25
4	30-Jun-21	\$2,973.72	\$10,905.00	-\$7,931.28	\$289,440.97
5	30-Jun-22	\$2,894.41	\$10,905.00	-\$8,010.59	\$281,430.38
6	30-Jun-23	\$2,814.30	\$10,905.00	-\$8,090.70	\$273,339.69
7	30-Jun-24	\$2,733.40	\$10,905.00	-\$8,171.60	\$265,168.08
8	30-Jun-25	\$2,651.68	\$10,905.00	-\$8,253.32	\$256,914.76
9	30-Jun-26	\$2,569.15	\$10,905.00	-\$8,335.85	\$248,578.91
10	30-Jun-27	\$2,485.79	\$10,905.00	-\$8,419.21	\$240,159.70
11	30-Jun-28	\$2,401.60	\$10,905.00	-\$8,493.40	\$231,656.30
12	30-Jun-29	\$2,318.56	\$10,905.00	-\$8,568.44	\$223,067.86
13	30-Jun-30	\$2,230.68	\$10,905.00	-\$8,641.32	\$214,393.54
14	30-Jun-31	\$2,143.94	\$10,905.00	-\$8,714.06	\$205,632.47
15	30-Jun-32	\$2,058.32	\$10,905.00	-\$8,788.68	\$196,783.80
16	30-Jun-33	\$1,967.84	\$10,905.00	-\$8,861.16	\$187,846.64
17	30-Jun-34	\$1,878.47	\$10,905.00	-\$8,934.53	\$178,820.10
18	30-Jun-35	\$1,788.20	\$10,905.00	-\$9,008.80	\$169,703.30
19	30-Jun-36	\$1,697.03	\$10,905.00	-\$9,082.97	\$160,495.34
20	30-Jun-37	\$1,604.95	\$10,905.00	-\$9,157.05	\$151,195.29
21	30-Jun-38	\$1,511.95	\$10,905.00	-\$9,231.05	\$141,802.24
22	30-Jun-39	\$1,418.02	\$10,905.00	-\$9,304.98	\$132,315.27
23	30-Jun-40	\$1,323.15	\$10,905.00	-\$9,378.85	\$122,733.42
24	30-Jun-41	\$1,227.33	\$10,905.00	-\$9,452.67	\$113,055.75
25	30-Jun-42	\$1,130.56	\$10,905.00	-\$9,526.44	\$103,281.31
26	30-Jun-43	\$1,032.81	\$10,905.00	-\$9,599.19	\$93,409.12
27	30-Jun-44	\$934.09	\$10,905.00	-\$9,672.91	\$83,438.22
28	30-Jun-45	\$834.38	\$10,905.00	-\$9,746.62	\$73,367.60
29	30-Jun-46	\$733.68	\$10,905.00	-\$9,820.32	\$63,196.27
30	30-Jun-47	\$631.96	\$10,905.00	-\$9,894.04	\$52,923.24
31	30-Jun-48	\$529.23	\$10,905.00	-\$9,967.77	\$42,547.47
32	30-Jun-49	\$425.47	\$10,905.00	-\$10,041.53	\$32,067.94
33	30-Jun-50	\$320.68	\$10,905.00	-\$10,115.32	\$21,483.62
34	30-Jun-51	\$214.84	\$10,905.00	-\$10,190.16	\$10,793.46
35	30-Jun-52	\$107.93	\$10,901.39	-\$10,793.46	\$0.00

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") has an effective date of March 31, 2018

BETWEEN:

The Sigma Chi Canadian Foundation  
55 Bloor Street West, PO Box 19605  
Toronto, ON M4W 3T9 (the "Lender")

AND

(the "Borrower")

IN CONSIDERATION OF the Lender loaning certain monies (the "Loan") to the Borrower, and the Borrower repaying the Loan to the Lender, both parties agree to keep, perform and fulfill the promises and conditions set out in this Agreement:

### Loan Amount & Interest

1. The Lender promises to loan a maximum of \$300,000.00 CAD to the Borrower and the Borrower promises to repay this principal amount to the Lender, with interest payable on the unpaid principal at the rate of 1.00 percent per annum, calculated yearly not in advance. The balance of the amounts drawn to March 31, 2018 is \$196,812.61 and interest of \$492.03 will have accumulated by June 30, 2018.

### Payment

2. This Loan will be repaid in consecutive yearly instalments according to the attached schedule commencing on June 30, 2018 and continuing on the 30th of June of each following year with the balance then owing under this Agreement being paid on June 30, 2052. Instalments are considered overdue after ninety-one days following the 30th of June each year.
3. At any time whether in default or while not in default under this Agreement, the Borrower may pay the outstanding balance then owing under this Agreement to the Lender without further bonus or penalty.

### Default

4. Notwithstanding anything to the contrary in this Agreement, if the Borrower defaults in the performance of any obligation under this Agreement, then the Lender may declare the principal amount owing and interest due under this Agreement at that time to be immediately due and payable.
5. If the Borrower defaults in payment as required under this Agreement or after demand for ten (10) days, the Security will be immediately provided to the Lender and the Lender is granted all rights of repossession and procedure as a secured party.

Additional Draws or Additional Payments

6. Should an additional draw(s) on the mortgage be taken, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the additional draws are repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the added draw(s).
7. Should an Additional Payment be made over and above the required payments for a year, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the reduced principal is repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the reduced principal.

Interest Rate

8. The rate is fixed at the Canada Revenue Agency (CRA) prescribed rate of 1.0% as stipulated for the period ending March 31, 2018 and is now fixed going forward. However, any new draws will be considered a new tranche and rates for the new tranche(s) will be set according to the then prevailing CRA prescribed rate.

Security

9. This Loan is secured by the following security (the "Security"): House and Property at [REDACTED] [REDACTED] Toronto, Ontario.
10. The Borrower grants to the Lender a security interest in the Security until this Loan is paid in full. If possible, the Lender will be listed as a lender on the title of the Security whether or not the Lender elects to perfect the security interest in the Security. The Borrower will do everything necessary to assist the Lender in perfecting its security interest.

Governing Law

11. This Agreement will be construed in accordance with and governed by the laws of the Province of Ontario.

Costs

12. All costs, expenses and expenditures including without limitation, the complete legal costs incurred by enforcing this Agreement as a result of any default by the Borrower, will be added to the principal then outstanding and will immediately be paid by the Borrower.

Binding Effect

13. This Agreement will pass to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the Borrower and Lender. The Borrower waives presentment for payment, notice of non-payment, protest, and notice of protest.

Amendments

14. This Agreement may only be amended or modified by a written instrument executed by both the Borrower and the Lender.

Severability

15. The clauses and paragraphs contained in this Agreement are intended to be read and construed independently of each other. If any term, covenant, condition or provision of this

Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Agreement will in no way be affected, unpaired or invalidated as a result.

**General Provisions**

16. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

**Entire Agreement**

17. This Agreement constitutes the entire agreement between the parties and there are no further items or provisions, either oral or otherwise.

IN WITNESS WHEREOF, the parties have duly affixed their signatures under hand and corporate seal (if a seal exists) on this 30<sup>th</sup> day of May, 2018.

**SIGNED AND DELIVERED**

This 24<sup>th</sup> day of May, 2018

The Sigma Chi Canadian Foundation

per

David MacNicol, President

Gerald Salvati, Treasurer

with authority to bind

**SIGNED AND DELIVERED**

This 23<sup>rd</sup> day of May, 2018

per

President

Treasurer

with authority to bind

SCHEDULE A		Interest	Payment	Principal Repaid	BALANCE
Balance March 31, 2018					\$196,812.61
1	30-Jun-18	\$492.03	\$2,500.00	-\$2,007.97	\$194,804.64
2	30-Jun-19	\$1,948.05	\$6,787.00	-\$4,838.95	\$189,965.69
3	30-Jun-20	\$1,699.66	\$6,787.00	-\$4,887.34	\$185,078.34
4	30-Jun-21	\$1,850.78	\$6,787.00	-\$4,936.22	\$180,142.13
5	30-Jun-22	\$1,801.42	\$6,787.00	-\$4,985.58	\$175,156.55
6	30-Jun-23	\$1,751.57	\$6,787.00	-\$5,035.43	\$170,121.11
7	30-Jun-24	\$1,701.21	\$6,787.00	-\$5,085.79	\$165,035.32
8	30-Jun-25	\$1,650.35	\$6,787.00	-\$5,136.65	\$159,898.68
9	30-Jun-26	\$1,598.99	\$6,787.00	-\$5,188.01	\$154,710.86
10	30-Jun-27	\$1,547.11	\$6,787.00	-\$5,239.89	\$149,470.77
11	30-Jun-28	\$1,494.71	\$6,787.00	-\$5,292.29	\$144,178.48
12	30-Jun-29	\$1,441.78	\$6,787.00	-\$5,345.22	\$138,833.26
13	30-Jun-30	\$1,388.33	\$6,787.00	-\$5,396.67	\$133,434.60
14	30-Jun-31	\$1,334.35	\$6,787.00	-\$5,452.65	\$127,981.94
15	30-Jun-32	\$1,279.82	\$6,787.00	-\$5,507.18	\$122,474.76
16	30-Jun-33	\$1,224.75	\$6,787.00	-\$5,562.28	\$116,912.51
17	30-Jun-34	\$1,169.13	\$6,787.00	-\$5,617.87	\$111,294.63
18	30-Jun-35	\$1,112.95	\$6,787.00	-\$5,674.05	\$105,620.58
19	30-Jun-36	\$1,056.21	\$6,787.00	-\$5,730.79	\$99,889.79
20	30-Jun-37	\$998.90	\$6,787.00	-\$5,788.10	\$94,101.68
21	30-Jun-38	\$941.02	\$6,787.00	-\$5,845.98	\$88,255.70
22	30-Jun-39	\$882.56	\$6,787.00	-\$5,904.44	\$82,351.26
23	30-Jun-40	\$823.51	\$6,787.00	-\$5,963.49	\$76,387.77
24	30-Jun-41	\$763.88	\$6,787.00	-\$6,023.12	\$70,364.65
25	30-Jun-42	\$703.65	\$6,787.00	-\$6,083.35	\$64,281.30
26	30-Jun-43	\$642.81	\$6,787.00	-\$6,144.19	\$58,137.11
27	30-Jun-44	\$581.37	\$6,787.00	-\$6,205.63	\$51,931.48
28	30-Jun-45	\$519.31	\$6,787.00	-\$6,267.69	\$45,863.79
29	30-Jun-46	\$458.64	\$6,787.00	-\$6,330.38	\$39,333.43
30	30-Jun-47	\$393.33	\$6,787.00	-\$6,393.67	\$32,939.77
31	30-Jun-48	\$329.40	\$6,787.00	-\$6,457.60	\$26,482.16
32	30-Jun-49	\$264.82	\$6,787.00	-\$6,522.18	\$19,959.99
33	30-Jun-50	\$199.60	\$6,787.00	-\$6,587.40	\$13,372.59
34	30-Jun-51	\$133.73	\$6,787.00	-\$6,653.27	\$6,719.31
35	30-Jun-52	\$67.19	\$6,786.50	-\$6,719.31	\$0.00

## **LOAN AGREEMENT**

THIS LOAN AGREEMENT (this "Agreement") has an effective date of March 31, 2018  
BETWEEN:

The Sigma Chi Canadian Foundation  
55 Bloor Street West, PO Box 19605  
Toronto, ON M4W 3T9

(the "Lender")

AND

(the "Borrower")

IN CONSIDERATION OF the Lender loaning certain monies (the "Loan") to the Borrower, and the Borrower repaying the Loan to the Lender, both parties agree to keep, perform and fulfill the promises and conditions set out in this Agreement:

### Loan Amount & Interest

1. The Lender promises to loan a maximum of \$300,000.00 CAD to the Borrower and the Borrower promises to repay this principal amount to the Lender, with interest payable on the unpaid principal at the rate of 1.00 percent per annum, calculated yearly not in advance. The balance of the amounts drawn to March 31, 2018 is \$104,982.20 and interest of \$262.46 will have accumulated by June 30, 2018.

### Payment

2. This Loan will be repaid in consecutive yearly instalments according to the attached schedule commencing on June 30, 2018 and continuing on the 30th of June of each following year with the balance then owing under this Agreement being paid on June 30, 2052. Instalments are considered overdue after ninety-one days following the 30th of June each year.
3. At any time whether in default or while not in default under this Agreement, the Borrower may pay the outstanding balance then owing under this Agreement to the Lender without further bonus or penalty.

### Default

4. Notwithstanding anything to the contrary in this Agreement, if the Borrower defaults in the performance of any obligation under this Agreement, then the Lender may declare the principal amount owing and interest due under this Agreement at that time to be immediately due and payable.
5. If the Borrower defaults in payment as required under this Agreement or after demand for ten (10) days, the Security will be immediately provided to the Lender and the Lender is granted all rights of repossession and procedure as a secured party.

**Additional Draws or Additional Payments:**

6. Should an additional draw(s) on the mortgage be taken, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the additional draws are repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the added draw(s).
7. Should an Additional Payment be made over and above the required payments for a year, the principal and interest payments for the remainder periods will be recalculated so that the completion date remains the same and the reduced principal is repaid with interest at the same termination date of the existing loan schedule. The attached Schedule A will be redrawn to reflect the reduced principal.

**Interest Rate:**

8. The rate is fixed at the Canada Revenue Agency (CRA) prescribed rate of 1.0% as stipulated for the period ending March 31, 2018 and is now fixed going forward. However, any new draws will be considered a new tranche and rates for the new tranche(s) will be set according to the then prevailing CRA prescribed rate.

**Security:**

9. This Loan is secured by the following security (the "Security"): House and Property at [REDACTED] Montreal, Quebec.
10. The Borrower grants to the Lender a security interest in the Security until this Loan is paid in full. If possible, the Lender will be listed as a lender on the title of the Security whether or not the Lender elects to perfect the security interest in the Security. The Borrower will do everything necessary to assist the Lender in perfecting its security interest.

**Governing Law:**

11. This Agreement will be construed in accordance with and governed by the laws of the Province of Ontario.

**Costs:**

12. All costs, expenses and expenditures including without limitation, the complete legal costs incurred by enforcing this Agreement as a result of any default by the Borrower, will be added to the principal then outstanding and will immediately be paid by the Borrower.

**Binding Effect:**

13. This Agreement will pass to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the Borrower and Lender. The Borrower waives presentment for payment, notice of non-payment, protest, and notice of protest.

**Amendments:**

14. This Agreement may only be amended or modified by a written instrument executed by both the Borrower and the Lender.

**Severability:**

15. The clauses and paragraphs contained in this Agreement are intended to be read and construed independently of each other. If any term, covenant, condition or provision of this

Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Agreement will in no way be affected, unpaired or invalidated as a result

**General Provisions**

16. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

**Entire Agreement**

17. This Agreement constitutes the entire agreement between the parties and there are no further items or provisions, either oral or otherwise.

IN WITNESS WHEREOF, the parties have duly affixed their signatures under hand and corporate seal (if a seal exists) on this 25 day of May, 2018.

SIGNED AND DELIVERED  
This 25 day of May, 2018

The Sigma Chi Canadian Foundation

per

David MacNicol, President

Gerald Salvati, Treasurer

with authority to bind

SIGNED AND DELIVERED  
This 25 day of May, 2018

per

President

Treasurer

with authority to bind

<b>SCHEDULE A</b>		<b>Interest</b>	<b>Payment</b>	<b>Principal Repaid</b>	<b>BALANCE</b>
	Balance June 30, 2017				\$104,982.20
1	30-Jun-18	\$262.46	\$262.46	\$0.00	\$104,982.20
2	30-Jun-19	\$1,049.82	\$3,658.00	-\$2,608.18	\$102,374.02
3	30-Jun-20	\$1,023.74	\$3,658.00	-\$2,634.26	\$99,739.76
4	30-Jun-21	\$997.40	\$3,658.00	-\$2,660.60	\$97,079.16
5	30-Jun-22	\$970.79	\$3,658.00	-\$2,687.21	\$94,391.95
6	30-Jun-23	\$943.92	\$3,658.00	-\$2,714.08	\$91,677.87
7	30-Jun-24	\$916.78	\$3,658.00	-\$2,741.22	\$88,936.65
8	30-Jun-25	\$889.37	\$3,658.00	-\$2,768.63	\$86,168.02
9	30-Jun-26	\$861.68	\$3,658.00	-\$2,796.32	\$83,371.70
10	30-Jun-27	\$833.72	\$3,658.00	-\$2,824.28	\$80,547.41
11	30-Jun-28	\$805.47	\$3,658.00	-\$2,852.53	\$77,694.89
12	30-Jun-29	\$776.95	\$3,658.00	-\$2,881.05	\$74,813.84
13	30-Jun-30	\$748.14	\$3,658.00	-\$2,909.86	\$71,803.97
14	30-Jun-31	\$719.04	\$3,658.00	-\$2,938.96	\$68,965.01
15	30-Jun-32	\$689.65	\$3,658.00	-\$2,968.35	\$65,996.66
16	30-Jun-33	\$650.97	\$3,658.00	-\$2,998.03	\$62,998.63
17	30-Jun-34	\$629.99	\$3,658.00	-\$3,028.01	\$59,970.62
18	30-Jun-35	\$599.71	\$3,658.00	-\$3,058.29	\$56,912.32
19	30-Jun-36	\$569.12	\$3,658.00	-\$3,088.88	\$53,823.46
20	30-Jun-37	\$538.23	\$3,658.00	-\$3,119.77	\$50,703.68
21	30-Jun-38	\$507.04	\$3,658.00	-\$3,150.96	\$47,552.72
22	30-Jun-39	\$475.53	\$3,658.00	-\$3,182.47	\$44,370.25
23	30-Jun-40	\$443.70	\$3,658.00	-\$3,214.30	\$41,155.95
24	30-Jun-41	\$411.56	\$3,658.00	-\$3,246.44	\$37,909.51
25	30-Jun-42	\$379.10	\$3,658.00	-\$3,278.90	\$34,630.60
26	30-Jun-43	\$346.31	\$3,658.00	-\$3,311.69	\$31,318.91
27	30-Jun-44	\$313.19	\$3,658.00	-\$3,344.91	\$27,974.10
28	30-Jun-45	\$279.74	\$3,658.00	-\$3,378.26	\$24,595.84
29	30-Jun-46	\$245.96	\$3,658.00	-\$3,412.04	\$21,183.80
30	30-Jun-47	\$211.84	\$3,658.00	-\$3,446.16	\$17,737.63
31	30-Jun-48	\$177.38	\$3,658.00	-\$3,480.62	\$14,257.01
32	30-Jun-49	\$142.57	\$3,658.00	-\$3,515.43	\$10,741.58
33	30-Jun-50	\$107.42	\$3,658.00	-\$3,550.58	\$7,191.00
34	30-Jun-51	\$71.91	\$3,658.00	-\$3,586.09	\$3,604.91
35	30-Jun-52	\$36.05	\$3,640.96	-\$3,604.91	-\$0.00

## Schedule B

LRO # 58 Charge/Mortgage

The applicant(s) hereby applies to the Land Registrar.

Received as [REDACTED] on 2012 01 17 at 16:46  
yyyy mm dd Page 1 of 2

**Properties**

*PIN* [REDACTED] *Interest/Estate* Fee Simple

*Description* [REDACTED]

*Address* [REDACTED]

**Charger(s)**

The charger(s) hereby charges the land to the chargee(s). The charger(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* [REDACTED]

*Address for Service* [REDACTED]

I, [REDACTED] President, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)**

*Capacity*

*Share*

*Name* SIGMA CHI CANADIAN FOUNDATION *Capacity* Registered Owner

*Address for Service* [REDACTED]

**Provisions**

*Principal* \$ 218,000.00 *Currency* CDN

*Calculation Period* See Additional Provisions

*Balance Due Date* On Demand

*Interest Rate*

*Payments*

*Interest Adjustment Date*

*Payment Date* See Additional Provisions

*First Payment Date*

*Last Payment Date*

*Standard Charge Terms* 200033

*Insurance Amount* full insurable value

*Guarantor*

**Additional Provisions**

**Rate:**

The Charger hereby agrees to pay Interest on the Principal Amount at the Interest Rate charged by Canada Revenue Agency's quarterly prescribed rate used to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans.

**Calculation Period:**

Interest at the Interest Rate aforesaid is calculated quarterly and payable quarterly, not in advance, before and after demand, default and judgement. Interest is payable on overdue interest and on Indebtedness payable under this Charge at the aforesaid Interest Rate. Any payment appropriated as a permanent reduction of this Charge shall be first applied against interest accrued hereunder.

LRO # 68 Charge/Mortgage

Received as [REDACTED] on 2012 01 17 at 10:48

The applicant(s) hereby applies to the Land Registrar

yyyy mm dd Page 2 of 2

**Signed By**

[REDACTED]

[REDACTED]

acting for  
Charger(s)

Signed 2012 01 17

Tel

Fax

I have the authority to sign and register the document on behalf of the Charger(s).

**Submitted By**

2012 01 17

Tel

Fax

**Fees/Taxes/Payment**

Statutory Registration Fee \$60.00

Total Paid \$60.00

LRO # 58 Charge/Mortgage

The applicant(s) hereby applies to the Land Registrar.

Received as [REDACTED] on 2013 02 28 at 10:28

yyyy mm dd Page 1 of 2

**Properties**

*PIN* [REDACTED] *Interest/Estate* Fee Simple

*Description* [REDACTED]

*Address* [REDACTED]

**Charger(s)**

The charger(s) hereby charges the land to the chargee(s). The charger(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* [REDACTED]

*Address for Service* [REDACTED]

I, [REDACTED] President, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)**

**Capacity**

**Share**

*Name* SIGMA CHI CANADIAN FOUNDATION *Capacity* Registered Owner

*Address for Service* [REDACTED]

**Provisions**

*Principal* \$ 100,000.00 *Currency* CDN

*Calculation Period* See Additional Provisions

*Balance Due Date* Due On Demand

*Interest Rate*

*Payments*

*Interest Adjustment Date*

*Payment Date* See Additional Provisions

*First Payment Date*

*Last Payment Date*

*Standard Charge Terms* 200053

*Insurance Amount* full insurable value

*Guarantor*

**Additional Provisions**

*Rate:*

The Charger hereby agrees to pay interest on the Principal Amount at the Interest Rate charged by Canada Revenue Agency's quarterly prescribed rate used to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans.

*Calculation Period:*

Interest at the Interest Rate aforesaid is calculated quarterly and payable quarterly, not in advance, before and after demand, default and judgement. Interest is payable on overdue interest and on indebtedness payable under this Charge at the aforesaid Interest Rate. Any payment appropriated as a permanent reduction of this Charge shall be first applied against interest accrued hereunder.

LRQ # 58 Charge/Mortgage

Received as [REDACTED] on 2013 02 28 at 10:20

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 2 of 2

**Signed By**

[REDACTED]

[REDACTED]

acting for  
Charger(s)

Signed 2013 02 28

Tel

Fax

I have the authority to sign and register the document on behalf of the Charger(s).

**Submitted By**

[REDACTED]

[REDACTED]

2013 02 28

Tel

Fax

**Fees/Taxes/Payment**

Statutory Registration Fee \$60.08

Total Paid \$60.00



## PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

LAND  
REGISTRY  
OFFICE 450[REDACTED]  
\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*PAGE 1 OF 2  
PREPARED FOR [REDACTED]  
ON 2018/06/08 AT 12:29:00

PROPERTY IDENTIFIER

WATERLOO

PROPERTY ADDRESS:

ESTATE/CONCERNER:

REG. SIMPLE  
LS CONVERSION QUALIFIEDRECENTLY:  
RE-ENTRY FROM 22363-8380PIN CREATION DATE:  
2002/11/16

OWNER'S NAMES

WATERLOO SIGMA CHI PROPERTIES INC.

CAPACITY SHARE  
RUMO

REG. NAME	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHRD
** PRINTOUT	INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2002/11/15 **					
** SUBJECT	ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO					
**	SUBSECTION 47(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPHS 14, PROVINCIAL SUCCESSION DUTIES.					
**	AND ESCHEARS OR FORFEITURE TO THE CROWN.					
**	THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF					
**	IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESUMPTION, MISDESCRIPTION OR SUCCESSIONS SETTLED BY					
**	CONVENTION.					
**	ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.					
** DATE OF CONVERSION TO LAND TITLES: 2002/11/16 **						
2001/09/31	TRANSFER			*** DELETED AGAINST THIS PROPERTY ***	[REDACTED]	
2001/09/31	CHARGE			*** DELETED AGAINST THIS PROPERTY ***	[REDACTED]	
2001/09/06	PLAN REFERENCE			*** COMPLETELY DELETED ***	[REDACTED]	
2007/01/30	TRANSFER			*** COMPLETELY DELETED ***	[REDACTED]	
2007/01/30	CHARGE			*** COMPLETELY DELETED ***	[REDACTED]	
2007/09/12	DISH OF CHARGE			*** COMPLETELY DELETED ***	[REDACTED]	
REMARKS:						

NOTE: ADJOINING PROPERTIES SHOULD BE ENDEAVORED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



## PARCEL REGISTER (ABBREVIATION) FOR PROPERTY 102N71F1R

LAND  
REGISTRY  
OFFICE #53

\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*

PAGE 2 OF 2  
PREPARED FOR serial01  
ON 2018/06/08 AT 11:29:00

REG. NO.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHRD
	2011/06/31	TRANSFER		*** COMPLETELY DELETED ***		
		MARRS: PLANNING ACT STATEMENTS				
	2011/06/31	CHARGE		*** COMPLETELY DELETED ***		
	2011/06/31	DISCH OF CHARGE		*** COMPLETELY DELETED ***		
		MARRS: MR32377.				
	2012/01/17	TRANSFER	\$365,000		WATERLOO SIGMA CHI PROPERTIES INC.	
	2012/01/17	CHARGE		*** COMPLETELY DELETED ***		
	2012/01/17	CHARGE	\$214,000		SIGMA CHI CANADIAN FOUNDATION	
	2012/02/10	DISCH OF CHARGE		*** COMPLETELY DELETED ***		
		MARRS: MR630895.				
	2013/02/28	CHARGE	\$109,000		SIGMA CHI CANADIAN FOUNDATION	
	2017/05/16	CHARGE	\$169,000			
	2017/05/16	DO ASSGN RENT GEN				
		MARRS: MR1032651				
	2017/05/16	POSTPONEMENT		SIGMA CHI CANADIAN FOUNDATION		
		MARRS: MR665791 TO MR1032651				
	2017/05/16	POSTPONEMENT		SIGMA CHI CANADIAN FOUNDATION		
		MARRS: MR741733 TO MR1032651				
	2017/06/15	DISCH OF CHARGE		*** COMPLETELY DELETED ***		
		DISCHRGES: [REDACTED]				

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTIONS REPRESENTED FOR THIS PROPERTY.  
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PRINTED THEM ALL UP.

## Schedule C

RECEIVED 06/11/2018 18:06 6135417161

Jun.11.2018 6:19PM

CRA ARC  
NO.5386 P. 35/35

## APPENDIX A

### **The Sigma Chi Canadian Foundation**

#### **Comments on representations**

In our administrative fairness letter (AFL) dated April 11, 2018, we explained that the audit conducted by the Canada Revenue Agency (CRA) for the period from July 1, 2015 to June 30, 2016, identified that The Sigma Chi Canadian Foundation (the Organization) is not operating in compliance with the provisions of the Income Tax Act in the following areas:

1. Failure to devote resources to charitable activities carried on by the Organization itself; and
2. Failure to maintain adequate books and records.

This is the Organization's second audit in which we found that the same or similar issues of non-compliance are present. The prior audit was conducted for the period from July 1, 2007 to June 30, 2009.

During the previous audit, the CRA provided the Organization with the opportunity to address the areas of non-compliance by entering into a compliance agreement. The terms and corrective measures of the compliance agreement were agreed to and signed by Mr. David Garland, the Organization's treasurer, on March 4, 2011. Mr. Garland was the treasurer of the Organization for both audits and as such, he and the Organization were fully aware of the issues of non-compliance and respective corrective measures that were required for the Organization to become compliant with the requirements of the Act.

The current audit found that the Organization did not meet all of the corrective measures as outlined in the compliance agreement. Despite its previous assurances in this regard, the audit revealed continuous and repeated non-compliance with the requirements of the Act. The Organization's continued contravention of the rules and regulations constitute grounds for the revocation of its charitable status.

We have reviewed the Organization's representations dated June 11, 2018, and we maintain our position that the issues identified during the audit represent a serious and repeat breach of the requirements of the Act and that, as a result of this non-compliance, the Organization's registration as a charity should be revoked.

The basis for our position is further described in detail below, including:

- A summary of the issues raised in our AFL dated April 11, 2018;
- The Organization's representations dated June 11, 2018; and
- The CRA's response to the representations.

## **1 Failure to devote resources to charitable activities carried on by the Organization itself**

### Private benefit

The previous audit for the fiscal period of July 1, 2007 to June 30, 2009, found that the beneficiaries of the Organization's financial assistance education program were primarily university students who were members of the Canadian Chapter of the Sigma Chi fraternity. At the time of the audit, the Organization did not provide documentation to substantiate that the restrictions placed on the beneficiaries were relevant to achieving the Organization's charitable purposes. As such, the Organization signed a compliance agreement on March 4, 2011, where it agreed to devote all of its resources to charitable activities and to not restrict the beneficiaries of the financial assistance to Sigma Chi fraternity members in Canada.

The current audit found that the activities of the Organization continue to be primarily for the benefit of the active chapters, active brothers and pledges of the Sigma Chi fraternity (the Fraternity), thereby providing a private benefit to the Fraternity members. The Organization's website states that its mission is "to strengthen Sigma Chi in Canada. The Foundation exists as a vehicle for local Active Chapters, Alumni Chapters and/or House Corporations to raise tax-deductible funds for educational purposes – primarily for the benefit of Active Chapters and Active brothers."<sup>1</sup> Furthermore, the applications for its scholarships, also found on the Organization's website, state that the beneficiary of the award must be an active Canadian chapter or an active Canadian brother in an active Canadian chapter of the Fraternity.<sup>2</sup> In addition, while some scholarships/awards require financial need and/or academic achievement, the applicant must also be a member of the Fraternity and is assessed on fraternity related criteria such as their role within the Fraternity and how they represent the ideals for the Fraternity.<sup>3</sup> By restricting both the eligibility of the applicants and the assessment criteria in such a manner, the Organization demonstrates that the purpose of the scholarships/awards is to provide a private benefit to the Fraternity. This activity is the focus of the Organization and is not clearly related to one of its stated charitable purposes.

The audit also found that the majority of the Organization's funds are devoted to scholarships, grants and bursaries, and are primarily for the Fraternity. During the audit period, the total amount expended on scholarships/awards increased from 51% to 79%, for the 2015 and 2016

---

<sup>1</sup> <https://www.sigmachi.ca/purpose/> Accessed April 11, 2018 and August 13, 2019.

<sup>2</sup> <https://www.sigmachi.ca> Accessed April 11, 2018 and August 13, 2019.

<sup>3</sup> For examples refer to: <https://www.sigmachi.ca/fierheller-award/> The George Fierheller GPA award is given to the Fraternity chapters who achieve the highest academic achievement and the most improved academic standing amongst the active Canadian chapters: <https://www.sigmachi.ca/graham-scholarships/> The John W. Graham scholarship is awarded to "Brothers who have shown excellence in their academic, Sigma Chi and extracurricular careers" and the assessment includes their "activity within the Fraternity": <https://www.sigmachi.ca/grimes-brotherhood-awards/> The Jim Grimes Brotherhood Scholarships are "designed to recognize invaluable contribution from brothers who are "unsung heroes" within Chapters across Canada" and "who consistently contribute to the success of their chapters and are a credit to the Fraternity", the assessment includes "[A]chieve contribution to the Fraternity" and "[B]rothers who exemplify the Sigma Chi Creed": and, <https://www.sigmachi.ca/bltw-leadership-training/> The Balfour Leadership Training Workshop Bursaries is "[T]o assist Active Chapter brothers in attending the annual Balfour Leadership Training Workshop" and to pay for "[A]ny Active Chapter expenses related to Active Brothers' attendance at BLTW", to receive the reimbursement the Fraternity member submits the funding application along with receipts. however, if the receipts are not submitted by the required date, the reimbursement then becomes a chapter loan – according to the Balfour Leadership Training Workshop website (<http://balfourltw.sigmachi.org/>) the event is "Sigma Chi's annual summer conference where undergraduate chapter leaders from the United States and Canada convene to learn and practice skills that they can implement at their home chapters during the upcoming academic year." Accessed April 11, 2018 and August 13, 2019.

fiscal periods, respectively. Some of these funds were given to individual Canadian universities, which are qualified donees as defined in the Income Tax Act and therefore appropriate recipients of charitable funds. However, the portion of funds given to the Canadian universities, represented 25% and 12% of the total expenses identified as spent on scholarships/awards in the 2015 and 2016 fiscal periods, respectively.

As the Organization devotes the majority of its resources to providing a private benefit to the Fraternity, it appears that it has a collateral non-charitable purpose of conferring a private benefit to these organizations and individuals.

### **Organization's response**

In its response dated June 11, 2018, the Organization specified that the intended beneficiary group for its programming are post-secondary students who have been accepted as members of various Sigma Chi chapters on university campuses. These student members consist of pledges and active members. At any given time, there are approximately 250 pledges and 500 active members at universities across Canada. Student membership at Sigma Chi is open to all male university students. Applicants for membership are evaluated based on merit according to "The Jordan Standard":

- a) A man of good character;
- b) A student of fair ability;
- c) With ambitious purposes;
- d) A congenial disposition;
- e) Possessed of good morals;
- f) Having a high sense of honor; and
- g) A deep sense of personal responsibility.

The Organization stated that all male university students who meet these objective criteria can become a Sigma Chi student member. The criteria values the same attributes as many other merit-based leadership development and financial assistance programs that are offered at universities, colleges, and other scholarship foundations. The representations further stated that "[a]lthough the [Organization] refers to Sigma Chi as a fraternity, this is just an age-old name for an open and merit-based community of education benefit recipients like the community of Loran Scholars. Within this community, the [Organization] develops, implements, and monitors programs that foster leadership, build character and a moral value system, and promote positive relationship skills that, in turn, help their members develop themselves as productive and caring participants of society."

For the Leadership Entrance Scholarships, the Organization's representations stated that through the gifts to qualified donees it established this scholarship at various Canadian universities and these universities "agreed with the [Organization] that the Leadership Entrance Scholarships will be open to all first-year male and female students, and the selection for recipients will be based on the same objective merit-based criteria as reflected in the Jordan Standard." The Organization also stated that it is willing to restructure its scholarship programs, including "increasing the percentage proportion of its leadership award entrance scholarships from the 12% in 2016 to a

higher amount going forward.”

With respect to the Housing Corp Summit, the Organization specified that the program was not a charitable expense as reported but rather an administrative expense. It is an event that is staged as deemed necessary whereby the Organization invited a representative from each of the housing corporations to attend an overnight conference, where the agenda was to “review scholarships, developmental work of the Organization, best practices, and mortgage documents/security, as well as specific housing issues like insurance and cleaning.”

In its representations, the Organization presented the option of transferring its scholarship programs to Sigma Chi US. The Organization would then amend its objects and reallocate its scholarship expenditures to running workshops for Sigma Chi student members on issues such as mental health awareness and substance abuse prevention. The above options would first be discussed with the Charities Directorate prior to making any changes.

### **CRA’s response**

We acknowledge the Organization’s willingness to restructure some of its scholarship programming to meet the public benefit test. However, the additional information provided in the representations dated June 11, 2018, did not alleviate our concerns with respect to the restrictions in place for the Organization’s administration of its “Inhouse scholarships” program, which represents 61% and 74% of total resources spent on scholarships and awards programming in the 2015 and 2016 fiscal periods<sup>4</sup>, and 31% and 59% of the Organization’s total expenditures for the 2015 and 2016 fiscal periods.<sup>5</sup>

In our AFL, we explained that in order to meet the public benefit test, any specified restrictions with respect to program beneficiaries must be relevant to achieving a charitable purpose. A private benefit will be found when the beneficiaries of the organization’s services are defined solely by membership in a group unrelated to the need served. Organizations that confer a private benefit are not charitable. The audit found that the Organization restricts beneficiaries of its “Inhouse scholarship” to active members and pledges of the Sigma Chi chapters.

The Organization’s representations explained that with respect to its “Inhouse scholarships” program it “targets students who have been accepted as members of various Sigma Chi chapters on university campuses”. The representations further specified that “membership in Sigma Chi (the Fraternity) is open to all male university students” and that “applicants for membership (in the Fraternity) are evaluated based on merit using the Jordan Standard.” While we recognize that the Organization provided additional information regarding both how it assesses applicants for its “Inhouse scholarships” and how the Fraternity assesses applicants for membership, which includes the Jordan Standard, the audit encompasses the operations of the Organization and not that of the Fraternity. As such, our concerns are regarding how the Organization assesses applicants for its programming, more specifically, the restriction that beneficiaries of its “Inhouse scholarship” program be pledges or active members of the Sigma Chi Fraternity.

---

<sup>4</sup> For the 2015 fiscal year: \$55,032/\$90,332=61%; For the 2016 fiscal year: \$97,922/\$131,522=74%

<sup>5</sup> For the 2015 fiscal year: \$55,032/\$176,047=31%; For the 2016 fiscal year: \$97,922/\$166,978=59%

We acknowledge that the Organization's response to our AFL included additional information regarding the beneficiaries of its programming, however, the representations did not specify or explain how restricting its "Inhouse scholarships" to active members and pledges of the Sigma Chi chapters is relevant to achieving a charitable purpose. As a result, our position remains that the "Inhouse scholarships" program works to confer a private benefit to members and pledges of a group rather than providing a tangible benefit to the public as a whole, or a sufficient segment of it, and does not meet the public benefit test. Therefore, this activity is not considered to be charitable at law.

Furthermore, in its representations, the Organization made specific reference to the activities of another registered charity as a means of comparison to some of its own programming. The Organization should note that due to confidentiality provisions of the Income Tax Act, we cannot discuss or comment on the specific circumstances and/or operations of another registered charity.

Since the Organization had signed a compliance agreement on March 4, 2011, in which it agreed to devote all of its resources to charitable activities and to not restrict the beneficiaries of its programming to Sigma Chi fraternity members in Canada, it appears as though it has not adhered to the corrective measures outlined in the agreement. The Organization continues to restrict the eligibility and assessment criteria of its scholarships/awards to Fraternity members and it did not provide the CRA with a valid reason as to why this restriction was in place. As a result, this constitutes material and repeated non-compliance, and the Organization's representations have not alleviated our concerns regarding its devotion of resources to activities that confer a private benefit to the Fraternity members.

In its representations, the Organization confirmed that the Leadership Award Entrance Scholarships were gifts to qualified donees (i.e., gifts funds to Canadian universities), and advised that the universities agreed to open this scholarship to all first-year male and female students and apply the above-mentioned Jordan Standard. The Organization funds this scholarship program as gifts to qualified donees, as opposed to administering it directly as one of its own programs, and increasing the resources devoted to this scholarship would effectively be considered to be gifting to a qualified donee, which is a charitable activity. However, in its representations, the Organization did not specify the dollar or percentage increase that it would devote to this activity in the future.

The Organization's representations also identified the option of having Sigma Chi US take over its scholarship programs and the Organization would reallocate these resources to running workshops for Sigma Chi student members on issues such as mental health awareness and substance abuse prevention. However, the Organization did not provide details regarding workshop content, curriculum and/or course material, or clarify which head of charity the workshops would work to advance.

If the intent of the workshops is to advance education in the charitable sense, the Organization would need to demonstrate that its workshops formally train the mind, advance the knowledge or abilities of recipients, or improve a useful branch of human knowledge through research. If the intent of the Organization's workshops is to promote health, in the charitable sense, the Organization would have to show that the workshops either prevent or relieve a health condition.

As the Organization's representations did not provide information regarding the workshops, we are unable to determine whether the workshops would work to advance education and/or promote health in a way that the law recognizes as being charitable.

Moreover, workshops that work to advance education and/or promote health must provide a benefit to the public as a whole or a sufficient section of the public. Any specified restrictions must be relevant to achieving the purpose. The Organization stated that the workshops would be restricted to Sigma Chi student members. Its representations did not illustrate how such restrictions would be relevant to either the promotion of health, the advancement of education or any other purpose that the law recognizes as being charitable. Based on the information provided, the workshop activity does not appear to meet the public benefit test as it confers a private benefit to Sigma Chi student members. As such, even if one or more charitable purposes were established, the Organization's workshops programming could not be considered to be charitable at law, if unduly restricted to closed beneficiary group.

For the reasons mentioned above, the Organization's representations did not alleviate our concerns with respect to the majority of its resources being devoted to activities that confer private benefits to Fraternity members as this is not clearly related to one of the Organization's purposes. As a result, our position remains that the Organization has a collateral non-charitable purpose of conferring a private benefit to Fraternity members.

#### Gifting to non-qualified donees

The previous audit for the fiscal period of July 1, 2007 to June 30, 2009, found that the Organization provided funds to non-qualified donees, housing corporations that are affiliated with the Sigma Chi fraternity, for repairs and maintenance or residential properties. As such, the Organization signed a compliance agreement on March 4, 2011, where it agreed to not gift funds to non-qualified donees.

The current audit found that the Organization repeatedly loaned funds to various Fraternity housing corporations over several years for the purchase of educational materials, scholarly aids and/or electronic materials, and to purchase, contract, renovate and/or maintain student residences for Fraternity members. However, the Organization failed to provide documentation clearly stating the purpose of each loan, and the relevant terms and conditions. During the audit, the Organization provided promissory notes for some of the loans receivable subsequent to March 4, 2011. However, due to the lack of documentation regarding the outstanding amounts of the loans receivable, we are unable to confirm that these amounts are loans and not the provision of funds to non-qualified donees.

#### **Organization's response**

In its representations dated June 11, 2018, the Organization provided the following information and documentation:

- Loan agreements, with an effective date of March 31, 2018, and signed in May 2018, for all amounts outstanding from the housing corporations at [REDACTED]
- Registered title on the [REDACTED] is in the amount of \$318,000.
- The Organization loaned an additional \$25,000 to the [REDACTED] on January 28, 2015, without having obtained a loan agreement or security for the outstanding amount.
- [REDACTED] financial statements for the period May 1, 2017 to March 30, 2018.

As of March 31, 2018, the loan to [REDACTED] had grown to \$420,675, and security for this loan was still outstanding. In its representations, the Organization explained that it was prepared to commence legal action to recall the loan by July 12, 2018, if security was not obtained.

#### **CRA's response**

The Organization provided loan agreements for outstanding loans with five fraternity housing corporations that are affiliated with the Sigma Chi fraternity in the amount of \$1,451,770, with an effective date of March 31, 2018. However, the loan agreements did not contain details or documentation clearly stating the purpose of each loan.

Furthermore, the Organization did not provide an agreement for the loan in the amount of \$403,015 to [REDACTED]. This loan accounted for 31% of the total loans receivable in the 2016 fiscal year, and 32% in the 2015 fiscal year. After signing the compliance agreement with the CRA, the Organization made an additional loan in the amount of \$25,000, to the [REDACTED] without having obtained a loan agreement or security for the additional amount. As of March 31, 2018, the outstanding loan with [REDACTED] is in the amount of \$420,675.33 and accounts for 29%<sup>6</sup> of the Organization's total loans receivable. The Organization has advised that it "is using its best efforts to obtain further loan documentation and security from [REDACTED]." As the Organization has not entered into a loan agreement and the loan has not been secured, the Organization's resources could be at risk. Without formal terms that outline repayment and collateral in the event that the borrower defaults on its repayment, there are no measures in place to provide assurance that the loan will be repaid in full. Further, due to the lack of documentation provided regarding the loan, we are unable to confirm that this amount is a loan and not the provision of funds to a non-qualified donee.

The Organization had previously provided funds to non-qualified donees (i.e., organizations that were affiliated with the Sigma Chi fraternity) for repairs and maintenance of residential properties. This non-compliance issue was addressed in the compliance agreement signed on March 4, 2011, where the Organization agreed to "not gift funds to non-qualified donees" and to "immediately take the necessary steps to enter into loan agreements with [these organizations] which formally document the terms and conditions of such loans, including the applicable rates

---

<sup>6</sup> Response to the audit of The Sigma Chi Canadian Foundation - dated June 11, 2018.

of interest and terms of payment" and to "obtain security for each loan". The Organization did not demonstrate that it attempted to comply with this corrective measure of the compliance agreement until after the current audit commenced. Furthermore, the Organization did not provide complete loan agreements for all of its outstanding loans receivable.

Based on the information and documentation provided during the audit, the Organization did not adhere to the terms of the compliance agreement, which constitutes material and repeated non-compliance. As such, the Organization's representations did not alleviate our concerns regarding gifting funds to non-qualified donees as it pertains to the provision of loans to fraternity housing corporations. For the reasons stated above, the CRA cannot conclude that the funds disbursed to organizations affiliated with the Sigma Chi fraternity are a loan; rather it demonstrates a method for the Organization to gift funds to non-qualified donees.

#### **Direction and control**

The audit found that the Organization does not maintain direction and control over its Horizons Interactive Leadership Scholarship, which is the provision of funds to an undergraduate Fraternity member to attend a six-day leadership experience, administered by the Sigma Chi Fraternity in Utah, Illinois. Scholarship recipients are selected by a US committee made up of twelve board members of which, two are representatives of the Organization. The audit found that in 2015 and 2016, the resources devoted to this activity constituted 14% and 8% of total scholarship expenditures. As the Organization does not decide the recipient of the scholarship, it does not have direction and control over the use of these funds.

#### **Organization's response**

With respect to its Horizons Leadership Scholarships, the Organization clarified that the scholarship is designed to pay for Canadian student members of Sigma Chi to attend the Horizons Huntsman Leadership Summit held by Sigma Chi US. The Organization has one out of eight seats on the governing board and two out of sixteen on the selection committee for the Summit. The Organization stated that it "can increase its presence on these boards and committees".

#### **CRA's response**

While we acknowledge the Organization's willingness to increase its presence on both the governing and selection committees for the Horizons Huntsman Leadership Summit, it did not provide sufficient information regarding the level of its planned increase in participation on the above mentioned "boards and committees" and its respective level of control over the decision making of its own resources as it pertains to this activity. Furthermore, the Organization has not demonstrated that it makes decisions and sets parameters regarding the use of its resources, or would have a quorum to retain ultimate control over the decisions under the proposed board restructuring measures. As such, our concerns regarding the direction and control of its resources as it pertains to the Horizons Interactive Leadership Scholarship have not been alleviated.

Though the Organization devotes a small portion of its resources to gifts to qualified donees, its

representations did not alleviate our concerns regarding the proportion of its resources devoted to charitable activities carried on by itself. Accordingly, our position remains that the Organization has failed to meet the requirements of subsection 149.1(1) of the Act that it devote substantially all of its resources to charitable activities carried on by the Organization itself. For this reason and each of the reasons stated above, it is our position that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

## **2. Failure to maintain adequate books and records**

The previous audit for the fiscal period of July 1, 2007 to June 30, 2009, found that the Organization provided funds to organizations affiliated with the Sigma Chi fraternity as loans for the purchase or refurbishment of student facilities/buildings. At the time, there were no loan agreements in place that set out the interest rate and the terms of repayment. Furthermore, 25% of the outstanding loans were not secured. As such, the Organization signed a compliance agreement on March 4, 2011, where it agreed to immediately take all of the necessary steps to enter into loan agreements with these organizations. The loan agreements were to formally document the terms and conditions of each loan, the applicable rates of interest and the terms of repayment. The Organization had also agreed to obtain security for each outstanding loan.

The current audit found that the Organization failed to maintain adequate books and records in the following facets of its operations:

- The Organization failed to provide loan agreements to formally document the total amount owing from the affiliated housing corporations. The organizations provided promissory notes for amounts loaned after March 4, 2011. However, these notes accounted for 12% of the total amount receivable from the organizations affiliated with the Sigma Chi fraternity. As such, 88% of the amounts reported as receivable were not supported by formal loan agreements.
- The Organization failed to obtain security for the loan to [REDACTED] Inc. in the amount of \$403,015. This loan accounts for 32% and 31% of the total loans receivable in the 2015 and 2016 fiscal years, respectively. Furthermore, subsequent to signing the compliance agreement with the CRA, the Organization loaned [REDACTED] [REDACTED] an additional \$25,000 without having obtained a loan agreement or security for the outstanding amount.
- The Organization did not provide documentation regarding the selection criteria and process followed by the Scholarships & Grants Committee, or any meeting minutes which would have included discussions regarding the selection of the scholarship recipients.

### **Organization's response**

In its representations dated June 11, 2018, the Organization provided the following documentation:

- Loan agreements, with an effective date of March 31, 2018, and signed in May 2018, for amounts outstanding from the housing corporations at [REDACTED]
- Registered title on the [REDACTED] in the amount of \$318,000.
- [REDACTED] financial statements for the period of May 1, 2017, to March 30, 2018.
- Selection criteria for its scholarships/awards.

The Organization advised that security for the loan in the amount of \$420,675 to the [REDACTED] had not been secured and that the Organization was prepared to commence legal action to recall the loan “if no such documentation is forthcoming within 30 days” of the Organization’s representations dated June 11, 2018.

#### **CRA’s response**

We acknowledge the information and documentation provided by the Organization noted above. However, the Organization did not demonstrate that it had attempted to follow the terms of the compliance agreement with respect to entering into loan agreements and obtaining security for each loan by the agreed upon date of June 30, 2011.

Moreover, the Organization did not provide complete loan agreements for all of its outstanding loans receivable, which is a demonstration of repeated serious non-compliance. Specifically, the Organization was unable to provide a loan agreement or obtain security for amounts loaned to [REDACTED] in the amount of \$403,015, which increased to \$420,675 as of June 11, 2018. As noted above, this loan accounted for 32% and 31% of the total loans receivable in the 2015 and 2016 fiscal years, respectively. In addition, the Organization did not provide any further information or documentation regarding the additional loan in the amount of \$25,000 that it provided to [REDACTED] after having signed the compliance agreement, and without having obtained security or implementing a loan agreement for loan amounts already outstanding.

As outlined in our AFL, failure to maintain adequate books and records in accordance with the requirements of the Act is itself sufficient reason for the CRA to revoke an organization’s charitable registration.<sup>7</sup> The policy of the CRA relating to the maintenance of books and records, and books of account, is based on several judicial determinations.

The court has established that:

- the onus is on the registered charity to provide that its charitable status should not be revoked.<sup>8</sup>
- a registered charity must maintain, and make available to the CRA at the time of an audit, meaningful books and records, regardless of its size or resources. It is not sufficient to supply the required books and records at some later date.<sup>9</sup>

<sup>7</sup> College Rabbinique de Montreal Oir Hachaim D’Tash v. Canada (Minister of Customs and Revenue Agency) 2004 FCA 101, and Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21

<sup>8</sup> The Canadian Committee for the Tel Aviv Foundation v. Canada 2002 FCA 72

<sup>9</sup> *ibid.* See also The Lord’s Evangelical Church of Deliverance and Prayer of Toronto v. Canada 2004 FCA 397

- paragraph 168(1)(e) of the Act provides that the Minister may propose to revoke registration of a charitable organization if it fails to comply with, or contravenes, any of sections 230 to 231.5 of the Act, and the Federal Court of Appeal has determined that non-compliance with section 230(2) of the Act is a proper basis upon which the Minister may issue such a notice.<sup>10</sup>
- The requirement to keep proper books and records is foundational and non-compliance with the requirement is sufficient to justify revocation.<sup>11</sup>

Furthermore, the Federal Court of Appeal has held that there exists a serious obligation for registered charities to maintain adequate books and records,<sup>12</sup> and that material or significant, and/or repeated, non-compliance with the requirements of subsection 230(2) of the Act constitutes sufficient grounds for revocation.<sup>13</sup>

The Organization's failure to fulfill its requirement to maintain adequate books and records, as described above, constitutes material and repeated non-compliance. For this reason, our position remains that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

### Annulment

In the Organization's representations dated June 11, 2018, it stated that "if the Charities Directorate continues to have concerns about the operation of the Charity, the Charity is prepared to discuss other options such as annulling the Charity's charitable status if necessary."

Under subsection 149.1(23) of the Act, the Minister may, by registered mail, give notice to a person that the registration of the person as a registered charity is annulled and deemed not to have been so registered, if the person was so registered by the Minister in error or the person has, solely as a result of a change in law, ceased to be a charity. It is a discretionary provision which may be applied by the CRA exclusively in circumstances where a charity's registration was granted in error, or a charity no longer qualifies for registration because of a change in the law. The CRA may consider whether annulment is an appropriate measure, on a case by case basis, based on a review of information and documentation pertaining to the Organization's charitable registration.

Based on the Organization's willingness to consider other options available, we reviewed information and documentation pertaining to the Organization's charitable registration to determine whether for the criteria for annulment apply in this circumstance. First, we considered if the annulment could be granted as a result of a change in law, specifically a change to the legislation affecting the charitable nature of the Organization such as a change to the Act or a

---

<sup>10</sup> Opportunities for the Disabled Foundation v. Canada (National Revenue) 2016 FCA 94; and Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21

<sup>11</sup> Jaamiah Al Uloom Al Islamiyyah Ontario v. Canada (National Revenue) 2016 FCA 49, paragraph 15; Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21, paragraph 43; and Many Mansions Spiritual Center, Inc. v. Canada (National Revenue) 2019 FCA 189, paragraph 10

<sup>12</sup> Humane Society of Canada for the Protection of Animals and the Environment v. Canada (National Revenue) 2015 FCA 178, paragraph 80

<sup>13</sup> Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21, paragraph 43

change to the common law, that is, court decisions. We concluded that there was no change in law that would justify the Organization's annulment.

We also reviewed whether the Organization had been registered in error. At the time of registration, we applied the two-part test to the Organization's purposes and activities. Based on our review of the governing documents with which the Organization was established, it is our position that, at the time of registration, it was established for exclusively charitable purposes and conducted charitable activities that furthered these purposes. As such, it is our conclusion that the Organization was not registered in error. Consequently, we are of the view that the Organization's charitable registration cannot be annulled.

### **Conclusion**

Consequently, for the reasons explained above, it is the CRA's position that the Organization has failed to meet the requirements for registration as a charitable organization as outlined in subsections 168(1), 149.1(1) and 149.1(2) of the Act. As such, the Organization should have its registration as a charity revoked pursuant to subsection 168(1) of the Act.

## Qualified Donees

### 149.1 (1) Definitions

**charitable foundation** means a corporation or trust that is constituted and operated exclusively for charitable purposes, no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof, and that is not a charitable organization

**charitable organization**, at any particular time, means an organization, whether or not incorporated,

(a) constituted and operated exclusively for charitable purposes,

(a.1) all the resources of which are devoted to charitable activities carried on by the organization itself,

(b) no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof,

(c) more than 50% of the directors, trustees, officers or like officials of which deal at arm's length with each other and with

(i) each of the other directors, trustees, officers and like officials of the organization,

(ii) each person described by subparagraph (d)(i) or (ii), and

(iii) each member of a group of persons (other than Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society or association described in paragraph 149(1)(l)) who do not deal with each other at arm's length, if the group would, if it were a person, be a person described by subparagraph (d)(i), and

(d) that is not, at the particular time, and would not at the particular time be, if the organization were a corporation, controlled directly or indirectly in any manner whatever

(i) by a person (other than Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society or association described in paragraph 149(1)(l)),

(A) who immediately after the particular time, has contributed to the organization amounts that are, in total, greater than 50% of the capital of the organization immediately after the particular time, and

(B) who immediately after the person's last contribution at or before the particular time, had contributed to the organization amounts that were, in total, greater than

50% of the capital of the organization immediately after the making of that last contribution, or

(ii) by a person, or by a group of persons that do not deal at arm's length with each other, if the person or any member of the group does not deal at arm's length with a person described in subparagraph (i)

**qualified donee**, at any time, means a person that is

(a) registered by the Minister and that is

- a housing corporation resident in Canada and exempt from tax under this Part because of paragraph 149(1)(i) that has applied for registration,
- (ii) a municipality in Canada,
- a municipal or public body performing a function of government in Canada that has applied for registration,
- (iv) a university outside Canada, the student body of which ordinarily includes students from Canada, that has applied for registration, or
- (v) a foreign charity that has applied to the Minister for registration under subsection (26),

(b) a registered charity,

(c) a registered Canadian amateur athletic association, or

(d) Her Majesty in right of Canada or a province, the United Nations or an agency of the United Nations

#### **149.1 (2) Revocation of registration of charitable organization**

The Minister may, in the manner described in section 168, revoke the registration of a charitable organization for any reason described in subsection 168(1) or where the organization

(a) carries on a business that is not a related business of that charity;

(b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the organization's disbursement quota for that year; or

(c) makes a disbursement by way of a gift, other than a gift made

- (i) in the course of charitable activities carried on by it, or
- (ii) to a donee that is a qualified donee at the time of the gift.

#### **149.1 (3) Revocation of registration of public foundation**

The Minister may, in the manner described in section 168, revoke the registration of a public foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (b.1) makes a disbursement by way of a gift, other than a gift made
  - (i) in the course of charitable activities carried on by it, or
  - (ii) to a donee that is a qualified donee at the time of the gift;
- (c) since June 1, 1950, acquired control of any corporation;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities; or
- (e) at any time within the 24 month period preceding the day on which notice is given to the foundation by the Minister pursuant to subsection 168(1) and at a time when the foundation was a private foundation, took any action or failed to expend amounts such that the Minister was entitled, pursuant to subsection 149.1(4), to revoke its registration as a private foundation.

#### **149.1 (4) Revocation of registration of private foundation**

The Minister may, in the manner described in section 168, revoke the registration of a private foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on any business;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (b.1) makes a disbursement by way of a gift, other than a gift made
  - (i) in the course of charitable activities carried on by it, or
  - (ii) to a donee that is a qualified donee at the time of the gift;
- (c) has, in respect of a class of shares of the capital stock of a corporation, a divestment obligation percentage at the end of any taxation year;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities.

#### **149.1 (4.1) Revocation of registration of registered charity**

The Minister may, in the manner described in section 168, revoke the registration

- (a) of a registered charity, if it has entered into a transaction (including a gift to another registered charity) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the expenditure of amounts on charitable activities;
- (b) of a registered charity, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered charity to which paragraph (a) applies was to assist the other registered charity in avoiding or unduly delaying the expenditure of amounts on charitable activities;
- (c) of a registered charity, if a false statement, within the meaning assigned by subsection 163.2(1), was made in circumstances amounting to culpable conduct, within the meaning assigned by that subsection, in the furnishing of information for the purpose of obtaining registration of the charity;
- (d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those taxation years, an amount that is less than the fair market value of the property, on charitable activities carried on by it or by way of gifts made to qualified donees with which it deals at arm's length;
- (e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever; and
- (f) of a registered charity, if it accepts a gift from a foreign state, as defined in section 2 of the *State Immunity Act*, that is set out on the list referred to in subsection 6.1(2) of that Act.

#### **Revocation of Registration of Certain Organizations and Associations**

##### **168 (1) Notice of intention to revoke registration**

The Minister may, by registered mail, give notice to a person described in any of paragraphs (a) to (c) of the definition “*qualified donee*” in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

- (a) applies to the Minister in writing for revocation of its registration;
- (b) ceases to comply with the requirements of this Act for its registration;
- (c) in the case of a registered charity or registered Canadian amateur athletic association, fails to file an information return as and when required under this Act or a regulation;
- (d) issues a receipt for a gift otherwise than in accordance with this Act and the regulations or that contains false information;
- (e) fails to comply with or contravenes any of sections 230 to 231.5; or

(f) in the case of a registered Canadian amateur athletic association, accepts a gift the granting of which was expressly or implicitly conditional on the association making a gift to another person, club, society or association.

## **168 (2) Revocation of Registration**

Where the Minister gives notice under subsection 168(1) to a registered charity or to a registered Canadian amateur athletic association,

(a) if the charity or association has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing of the notice, publish a copy of the notice in the *Canada Gazette*, and

(b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing of the notice, or after the expiration of such extended period from the day of mailing of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice in the *Canada Gazette*,

and on that publication of a copy of the notice, the registration of the charity or association is revoked.

## **168 (4) Objection to proposal or designation**

A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

(a) in the case of a person that is or was registered as a registered charity or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(2) to (4.1), (6.3), (22) and (23);

(b) in the case of a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.2) and (22); or

(c) in the case of a person described in any of subparagraphs (a)(i) to (v) of the definition “*qualified donee*” in subsection 149.1(1), that is or was registered by the Minister as a qualified donee or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.3) and (22).

### **172 (3) Appeal from refusal to register, revocation of registration, etc.**

Where the Minister

(a) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.2) and (22) and 168(1) by the Minister, to a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for registration as a registered Canadian amateur athletic association, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(a.1) confirms a proposal, decision or designation in respect of which a notice was issued by the Minister to a person that is or was registered as a registered charity, or is an applicant for registration as a registered charity, under any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) and 168(1), or does not confirm or vacate that proposal, decision or designation within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal, decision or designation,

(a.2) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.3), (22) and 168(1) by the Minister, to a person that is a person described in any of subparagraphs (a)(i) to (v) of the definition “qualified donee” in subsection 149.1(1) that is or was registered by the Minister as a qualified donee or is an applicant for such registration, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(b) refuses to accept for registration for the purposes of this Act any retirement savings plan,

(c) refuses to accept for registration for the purposes of this Act any profit sharing plan or revokes the registration of such a plan,

(d) [Repealed, 2011, c. 24, s. 54]

(e) refuses to accept for registration for the purposes of this Act an education savings plan,

(e.1) sends notice under subsection 146.1(12.1) to a promoter that the Minister proposes to revoke the registration of an education savings plan,

(f) refuses to register for the purposes of this Act any pension plan or gives notice under subsection 147.1(11) to the administrator of a registered pension plan that the Minister proposes to revoke its registration,

(f.1) refuses to accept an amendment to a registered pension plan,

(g) refuses to accept for registration for the purposes of this Act any retirement income fund,

(h) refuses to accept for registration for the purposes of this Act any pooled pension plan or gives notice under subsection 147.5(24) to the administrator of a pooled registered pension plan that the Minister proposes to revoke its registration, or

(i) refuses to accept an amendment to a pooled registered pension plan,

the person described in paragraph (a), (a.1) or (a.2), the applicant in a case described in paragraph (b), (e) or (g), a trustee under the plan or an employer of employees who are

beneficiaries under the plan, in a case described in paragraph (c), the promoter in a case described in paragraph (e.1), the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (f) or (f.1), or the administrator of the plan in a case described in paragraph (h) or (i), may appeal from the Minister's decision, or from the giving of the notice by the Minister, to the Federal Court of Appeal.

### **180 (1) Appeals to Federal Court of Appeal**

An appeal to the Federal Court of Appeal pursuant to subsection 172(3) may be instituted by filing a notice of appeal in the Court within 30 days from

- (a) the day on which the Minister notifies a person under subsection 165(3) of the Minister's action in respect of a notice of objection filed under subsection 168(4),
- (b) [Repealed, 2011, c. 24, s. 55]
- (c) the mailing of notice to the administrator of the registered pension plan under subsection 147.1(11),
- (c.1) the sending of a notice to a promoter of a registered education savings plan under subsection 146.1(12.1),
- (c.2) the mailing of notice to the administrator of the pooled registered pension plan under subsection 147.5(24), or
- (d) the time the decision of the Minister to refuse the application for acceptance of the amendment to the registered pension plan or pooled registered pension plan was mailed, or otherwise communicated in writing, by the Minister to any person,

as the case may be, or within such further time as the Court of Appeal or a judge thereof may, either before or after the expiration of those 30 days, fix or allow.

### **Tax and Penalties in Respect of Qualified Donees**

#### **188 (1) Deemed year-end on notice of revocation**

If on a particular day the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) or it is determined, under subsection 7(1) of the *Charities Registration (Security Information) Act*, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available,

- (a) the taxation year of the charity that would otherwise have included that day is deemed to end at the end of that day;
- (b) a new taxation year of the charity is deemed to begin immediately after that day; and
- (c) for the purpose of determining the charity's fiscal period after that day, the charity is deemed not to have established a fiscal period before that day.

### **188 (1.1) Revocation tax**

A charity referred to in subsection (1) is liable to a tax, for its taxation year that is deemed to have ended, equal to the amount determined by the formula

$$\mathbf{A} - \mathbf{B}$$

where

**A** is the total of all amounts, each of which is

- (a) the fair market value of a property of the charity at the end of that taxation year,
- (b) the amount of an appropriation (within the meaning assigned by subsection (2)) in respect of a property transferred to another person in the 120-day period that ended at the end of that taxation year, or
- (c) the income of the charity for its winding-up period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 as if that period were a taxation year; and

**B** is the total of all amounts (other than the amount of an expenditure in respect of which a deduction has been made in computing income for the winding-up period under paragraph (c) of the description of A), each of which is

- (a) a debt of the charity that is outstanding at the end of that taxation year,
- (b) an expenditure made by the charity during the winding-up period on charitable activities carried on by it, or
- (c) an amount in respect of a property transferred by the charity during the winding-up period and not later than the latter of one year from the end of the taxation year and the day, if any, referred to in paragraph (1.2)(c), to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

## **188 (1.2) Winding-up period**

In this Part, the winding-up period of a charity is the period that begins immediately after the day on which the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) (or, if earlier, immediately after the day on which it is determined, under subsection 7(1) of the *Charities Registration (Security Information) Act*, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available), and that ends on the day that is the latest of

- (a) the day, if any, on which the charity files a return under subsection 189(6.1) for the taxation year deemed by subsection (1) to have ended, but not later than the day on which the charity is required to file that return,
- (b) the day on which the Minister last issues a notice of assessment of tax payable under subsection (1.1) for that taxation year by the charity, and
- (c) if the charity has filed a notice of objection or appeal in respect of that assessment, the day on which the Minister may take a collection action under section 225.1 in respect of that tax payable.

## **188 (1.3) Eligible donee**

In this Part, an eligible donee in respect of a particular charity is

- (a) a registered charity
  - (i) of which more than 50% of the members of the board of directors or trustees of the registered charity deal at arm's length with each member of the board of directors or trustees of the particular charity,
  - (ii) that is not the subject of a suspension under subsection 188.2(1),
  - (iii) that has no unpaid liabilities under this Act or under the *Excise Tax Act*,
  - (iv) that has filed all information returns required by subsection 149.1(14), and
  - (v) that is not the subject of a certificate under subsection 5(1) of the *Charities Registration (Security Information) Act* or, if it is the subject of such a certificate, the certificate has been determined under subsection 7(1) of that Act not to be reasonable; or
- (b) a municipality in Canada that is approved by the Minister in respect of a transfer of property from the particular charity.

## **188 (2) Shared liability – revocation tax**

A person who, after the time that is 120 days before the end of the taxation year of a charity that is deemed by subsection (1) to have ended, receives property from the charity, is jointly and severally, or solidarily, liable with the charity for the tax payable under subsection (1.1) by the charity for that taxation year for an amount not exceeding the total of all appropriations, each of which is the amount by which the fair market value of such a property at the time it was so received by the person exceeds the consideration given by the person in respect of the property.

## **188 (2.1) Non-application of revocation tax**

Subsections (1) and (1.1) do not apply to a charity in respect of a notice of intention to revoke given under any of subsections 149.1(2) to (4.1) and 168(1) if the Minister abandons the intention and so notifies the charity or if

- (a) within the one-year period that begins immediately after the taxation year of the charity otherwise deemed by subsection (1) to have ended, the Minister has registered the charity as a charitable organization, private foundation or public foundation; and
- (b) the charity has, before the time that the Minister has so registered the charity,
  - (i) paid all amounts, each of which is an amount for which the charity is liable under this Act (other than subsection (1.1)) or the *Excise Tax Act* in respect of taxes, penalties and interest, and
  - (ii) filed all information returns required by or under this Act to be filed on or before that time.

## **188 (3) Transfer of property tax**

Where, as a result of a transaction or series of transactions, property owned by a registered charity that is a charitable foundation and having a net value greater than 50% of the net asset amount of the charitable foundation immediately before the transaction or series of transactions, as the case may be, is transferred before the end of a taxation year, directly or indirectly, to one or more charitable organizations and it may reasonably be considered that the main purpose of the transfer is to effect a reduction in the disbursement quota of the foundation, the foundation shall pay a tax under this Part for the year equal to the amount by which 25% of the net value of that property determined as of the day of its transfer exceeds the total of all amounts each of which is its tax payable under this subsection for a preceding taxation year in respect of the transaction or series of transactions.

## **188 (3.1) Non-application of subsection (3)**

Subsection (3) does not apply to a transfer that is a gift to which subsection 188.1(11) or (12) applies.

#### **188 (4) Joint and several, or solidary, liability – tax transfer**

If property has been transferred to a charitable organization in circumstances described in subsection (3) and it may reasonably be considered that the organization acted in concert with a charitable foundation for the purpose of reducing the disbursement quota of the foundation, the organization is jointly and severally, or solidarily, liable with the foundation for the tax imposed on the foundation by that subsection in an amount not exceeding the net value of the property.

#### **188 (5) Definitions – In this section,**

***net asset amount*** of a charitable foundation at any time means the amount determined by the formula

$$\mathbf{A} - \mathbf{B}$$

where

**A** is the fair market value at that time of all the property owned by the foundation at that time, and

**B** is the total of all amounts each of which is the amount of a debt owing by or any other obligation of the foundation at that time;

***net value*** of property owned by a charitable foundation, as of the day of its transfer, means the amount determined by the formula

$$\mathbf{A} - \mathbf{B}$$

where

**A** is the fair market value of the property on that day, and

**B** is the amount of any consideration given to the foundation for the transfer.

#### **189 (6) Taxpayer to file return and pay tax**

Every taxpayer who is liable to pay tax under this Part (except a charity that is liable to pay tax under section 188(1)) for a taxation year shall, on or before the day on or before which the taxpayer is, or would be if tax were payable by the taxpayer under Part I for the year, required to file a return of income or an information return under Part I for the year,

(a) file with the Minister a return for the year in prescribed form and containing prescribed information, without notice or demand therefor;

(b) estimate in the return the amount of tax payable by the taxpayer under this Part for the year; and

(c) pay to the Receiver General the amount of tax payable by the taxpayer under this Part for the year.

**189 (6.1) Revoked charity to file returns**

Every taxpayer who is liable to pay tax under subsection 188(1.1) for a taxation year shall, on or before the day that is one year from the end of the taxation year, and without notice or demand,

- (a) file with the Minister
  - (i) a return for the taxation year, in prescribed form and containing prescribed information, and
  - (ii) both an information return and a public information return for the taxation year, each in the form prescribed for the purpose of subsection 149.1(14); and
- (b) estimate in the return referred to in subparagraph (a)(i) the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year; and
- (c) pay to the Receiver General the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year.

**189 (6.2) Reduction of revocation tax liability**

If the Minister has, during the one-year period beginning immediately after the end of a taxation year of a person, assessed the person in respect of the person's liability for tax under subsection 188(1.1) for that taxation year, has not after that period reassessed the tax liability of the person, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of

- (a) the amount, if any, by which
  - (i) the total of all amounts, each of which is an expenditure made by the charity, on charitable activities carried on by it, before the particular time and during the period (referred to in this subsection as the "post-assessment period") that begins immediately after a notice of the latest such assessment was sent and ends at the end of the one-year period

exceeds

- (ii) the income of the charity for the post-assessment period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 if that period were a taxation year, and
- (b) all amounts, each of which is an amount, in respect of a property transferred by the charity before the particular time and during the post-assessment period to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

### **189 (6.3) Reduction of liability for penalties**

If the Minister has assessed a particular person in respect of the particular person's liability for penalties under section 188.1 for a taxation year, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of all amounts, each of which is an amount, in respect of a property transferred by the particular person after the day on which the Minister first assessed that liability and before the particular time to another person that was at the time of the transfer an eligible donee described in paragraph 188(1.3)(a) in respect of the particular person, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the total of

- (a) the consideration given by the other person for the transfer, and
- (b) the part of the amount in respect of the transfer that has resulted in a reduction of an amount otherwise payable under subsection 188(1.1).

### **189 (7) Minister may assess**

Without limiting the authority of the Minister to revoke the registration of a registered charity or registered Canadian amateur athletic association, the Minister may also at any time assess a taxpayer in respect of any amount that a taxpayer is liable to pay under this Part.