



October 10, 2024

REGISTERED MAIL

Stephen Lee
Director
Grace Christian Chapel
7577 Curtis Street
Burnaby BC V5A 4W7

BN: 88122 5916 RR0001
Case number: 56601541

Dear Stephen Lee:

**Subject: Notice of intention to revoke
Grace Christian Chapel**

We are writing with respect to our letter dated January 4, 2023 (copy enclosed) in which Grace Christian Chapel (the Organization) was invited to respond to the findings of the audit conducted by the Canada Revenue Agency (CRA) for the period from January 1, 2017 to December 31, 2018. 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* (Act). The letter additionally outlined financial penalties and suspension of tax-receiving privileges pursuant to subsections 188.1(5) and 188.2(2) of the Act respectively, as possible consequences.

We have reviewed and considered your written response dated February 28, 2023. 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 continues not to comply with the requirements set out in the Act. Specifically, the Organization failed to implement any of the corrective measures set out in an education letter following a previous audit. In particular, the current audit found repeat non-compliance in that the Organization failed to issue donation receipts in accordance with the Act and/or its Regulations, and failed to file an information return as and when required by the Act. In addition to the repeat non-compliance, the Organization has subsequently failed to be constituted and operated exclusively for charitable purposes and activities, including allocating over \$3,000,000 to non-charitable activities during the audit period under review, failed to meet the disbursement quota, and failed to maintain adequate books and records in accordance with the Act.

Additionally, the Organization's inadequate response to the issues outlined in our letter dated January 4, 2023, have amplified our concerns that the Organization will not correct the identified deficiencies and become compliant in the future.

This non-compliance constitutes a serious breach of the requirements for registration. Consequently, it is our view that the Organization has exhibited an inability and/or unwillingness to become compliant with the requirements for its continued registration as a registered charity.

For these reasons, it is our position that the Organization no longer meets the requirements for charitable registration.

While we maintain our position that the Organization provided unacceptable private and undue benefits to non-qualified donees, the latter of which is sanctionable under subsections 188.1(4) and 188.1(5) of the Act, and failed to maintain adequate books and records, which is subject to suspension of receipting privileges pursuant to paragraph 188.2(2)(a) of the Act, we are no longer considering assessing Part V sanctions as we have declared our intention to revoke the Organization's registered status.

Consequently, for the reasons mentioned in our letter dated January 4, 2023, and pursuant to subsection 168(1) of the Act, we hereby notify you of our intention to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, the 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), 168(1)(c), 168(1)(d), 168(1)(e), and subsection 149.1(2) of the *Income Tax Act*, of our intention to revoke the registration of the charity listed below and that by virtue of paragraph 168(2)(b) thereof, the revocation of registration will be effective on the date of publication of this notice in the *Canada Gazette*.

Business number	Name
88122 5916 RR0001	Grace Christian Chapel Burnaby BC

As noted in our letter dated January 4, 2023, we informed you that the CRA may revoke the charitable registration of the Organization. We further informed you that the CRA may, after the expiration of 30 days from the date of the mailing of the notice, publish a copy of the notice in the *Canada Gazette*, and on the date of that publication, the Organization's registration would be revoked.

This letter is to inform you that after considering the Organization's response, the CRA has decided to issue a notice of intention to revoke the Organization's registration and will publish a copy of the notice in the *Canada Gazette* immediately after the expiration of **30 days** from the date of mailing of this notice

pursuant to paragraph 168(2)(b) of the Act. It was found that the Organization has used a material amount of its resources, over \$3,000,000 during the audit period, to support non-charitable activities. Furthermore, while some limited representations were sent in response to our letter dated January 4, 2023, the Organization failed to address a substantial portion of the non-compliance outlined therein.

Should the Organization choose to object to this notice of intention to revoke its 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:

Assistant Commissioner
Appeals Intake Centre
Post Office Box 2006, Station Main
Newmarket ON L3Y 0E9

However, please note that even if the Organization files a notice of objection with the CRA Appeals Branch, this will not prevent the CRA from publishing the notice of revocation in the *Canada Gazette* immediately after the expiration of 30 days from the date of mailing of this notice.

The Organization has the option of filing an application with the Federal Court of Appeal (FCA), as indicated in paragraph 168(2)(b) of the Act, to seek an order staying publication of the notice of revocation in the *Canada Gazette*. The FCA, upon reviewing this application, may extend the 30-day period during which the CRA cannot publish a copy of the notice of revocation.

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. Form T2046 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;

- 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 entities other than charities that may result in significant changes in how the Organization calculates its Goods and Services Tax/Harmonized Sales Tax (GST/HST) to be collected, input tax credits, and rebate entitlements. If you have any questions about your GST/HST obligations and entitlements, please go to canada.ca/gst-hst or call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

Reminder

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,

Sharmila P. Khare

Sharmila Khare
Director General
Charities Directorate

Enclosures

- Appendix A, Comments on representations
- Appendix B, Relevant provisions of the Act
- CRA letter dated January 4, 2023
- Organization's representations dated February 28, 2023

c.c.: Sieu Vinh Chan

APPENDIX A

Grace Christian Chapel Comments on the Representations

In our administrative fairness letter (AFL) dated January 4, 2023, we explained that the audit conducted by the Canada Revenue Agency (CRA) for the period from January 1, 2017 to December 31, 2018, identified that Grace Christian Chapel (the Organization) is not operating in compliance with the provisions of the Income Tax Act (the Act) in the following areas:

1. Failed to devote resources to charitable activities carried on by the Organization itself
2. Is not constituted and operated exclusively for charitable purposes
3. Failed to meet the disbursement quota
4. Failed to maintain adequate books and records
5. Failed to file an information return as and when required by the Act and/or its Regulations
6. Failed to issue donation receipts in accordance with the Act and/or its Regulations

We have reviewed the Organization's representations dated February 28, 2023, and we maintain our position that the non-compliance identified during our audit represent a serious breach of the requirements of the Act. The Organization has failed to provide additional documentation or a reasonable explanation to address many of the areas of non-compliance identified during the audit. As such, it remains our opinion that the Organization's registration as a charity should be revoked.

We would point out that our AFL proposed to assess a financial penalty and to suspend the Organization's receipting privileges as a possible consequence. These measures were proposed to address three areas of non-compliance related to: books and records; official donation receipts; and conferring undue benefits. After reviewing all of the relevant information, including the Organization's response to our AFL, it is our view that based on the severity of the non-compliance, revocation is the most appropriate audit outcome at this time. However, we would underline that the remedial measures described above may be imposed in the event that: (i) should the Organization choose to file a Notice of Objection, the Organization's Notice of Intent to Revoke (NITR) is vacated; or (ii) should the Organization choose to file a Notice of Appeal, the Federal Court of Appeal refers any matter related to the Organization's NITR back to the CRA for determination.

Below, please find:

- A summary of the issues raised in the AFL;
- A summary of the Organization's response to each issue, as provided in its February 28, 2023, representations; and
- Our conclusion with respect to each issue.

Identified areas of non-compliance

1. Failed to devote resources to charitable activities carried on by the Organization itself

a) Lacked direction and control over its resources

The audit revealed that the Organization gifted resources to several non-qualified donees (NQDs). Details surrounding several instances where the Organization gifted to NQDs are outlined in the AFL.

The audit found that the Organization failed to demonstrate it exercised direction and control over its resources. In particular, it gifted funds to NQDs without implementing any structured arrangement to ensure that the resources transferred to NQDs were directed to activities that furthered the Organization's charitable purposes. Because it failed to demonstrate the existence of any arrangement whereby the NQDs to which it gifted acted on the Organization's behalf to advance its charitable purposes, it is our view that the Organization failed to exercise sufficient direction and control over its resources, as required.

b) Gifting to non-qualified donees

The Organization loaned funds and transferred amounts to several NQDs. The AFL outlined several instances where the Organization gifted funds to NQDs during each fiscal year covered by the audit (summarized immediately below in the section dealing with the delivery of non- incidental private benefits). The amount gifted to NQDs for the fiscal period ending December 31, 2017, totalled \$1,392,351, and the amounts gifted to NQDs for the fiscal period ending December 31, 2018, totalled \$1,689,985. This constitutes a serious breach of the requirements for charitable registration.

c) Delivered non-incidental private benefits

The Organization gifted \$1,392,351 and \$1,689,985 to NQDs in its 2017 and 2018 fiscal periods, respectively. As the Organization is unable to demonstrate that the amounts transferred to NQDs were made in furtherance of its charitable purposes, it is our view that each of the NQDs received a non-incidental private benefit from the Organization.

d) Conferred an undue benefit on a person

The Organization failed to demonstrate that it maintained direction and control over the resources it transferred to NQDs. Accordingly, it is our view that the Organization has not demonstrated that any of the transfers made by the Organization were devoted to its own charitable activities. It is our view that these transfers constitute unacceptable private benefits made to various NQDs, including its directors. In addition, in our view each of these unacceptable private benefits can also be considered an undue benefit per the meaning of that term provided in subsection 188.1(5) of the Act. An undue benefit is considered to arise when:

- the amounts were not reasonable consideration or remuneration for property acquired or services received by a charity;

- the gift made or the benefit conferred was not made in the course of charitable acts; and
- the amounts were not gifted to a qualified donee.

The table below details the calculation of the penalty proposed in our AFL.

Fiscal period ending	Type of sanction	Sanction %	Sanctioned amount	Sanction
Dec 31, 2017	Undue Benefit	105%	\$1,392,350	\$1,461,968
Dec 31, 2018	Undue Benefit	105%	\$1,689,985	\$1,774,484

The Organization's representations

We received representations on February 28, 2023, in regard to three cheques we classified as funds gifted to miscellaneous NQDs on page 15 of our January 4, 2023, letter. The representations stated:

- Cheque [REDACTED] was issued to Sieu Vinh Chan for a loan repayment. Please refer to the two cheques (\$10,000 and \$20,000) from [REDACTED] and Sieu Vinh Chan.
- Cheque [REDACTED] for \$11,500 was issued to [REDACTED] for services rendered. Please refer to invoice [REDACTED]
- Cheque [REDACTED] for \$5,358 was issued to [REDACTED] for services rendered. Please refer to invoice [REDACTED]

These representations also included copies of cheques numbered [REDACTED], along with the related invoices.

CRA's response

Our audit found that the Organization failed to demonstrate that it devoted its resources to its own charitable activities in the following four ways:

- a) Lacked direction and control over its resources;
- a) Gifted to non-qualified donees;
- b) Delivered non- incidental private benefits; and
- c) Conferred undue benefits on a person.

The only representations provided by the Organization pertained to two payments made to miscellaneous NQDs in 2017, specifically:

Source	Description	Amount	Date
Cheque [REDACTED]	Vinh Sien Chan	\$30,000	September 11, 2017
Cheque [REDACTED]	[REDACTED]	\$11,500	September 22, 2017

The Act was amended on June 23, 2022, to include new rules on “qualifying disbursements”. Registered charities continue to be permitted to make disbursements to qualified donees. They can now also make gifts or transfer their resources to non-qualified donees in one of two ways:

- by having the non-qualified donee carry out the charity’s own activity and by exercising direction and control over the non-qualified donee’s use of the charity’s resources; or
- by making a qualifying disbursement to the non-qualified donee.

It is important to note that the legislative change is not retroactive. Prior to June 2022, registered charities that wanted to work through a non-qualified donee could only do this in one way. Charities had to demonstrate that the activities were their own, demonstrated by maintaining ongoing direction and control over the use of their resources.

While the Organization failed to provide any meaningful representations as to how it maintained any direction and control over its resources gifted to NQDs, we nonetheless considered the Organization’s ability to comply with the current rules of charitable registration under the lens of the new granting legislation. The Organization would not meet the qualifying disbursements requirements as the audit evidence shows it was acting as a conduit by simply transferring charitable resources to other parties.

We do not accept the Organization’s representations related to cheque [REDACTED] where the Organization stated it was issued for a loan repayment. The Organization failed to provide any information or documentation to explain the purpose of the loans, how the loan furthered its charitable purpose, or to validate the amount of the loans. We note that both cheques, dated 2013-09-04, are made out to “Stephen Lee”, and not the Organization itself, which brings into question whether the loans were for the Organization or a personal loan to the Organization’s director. Further, the Organization failed to provide any supporting documentation to demonstrate that the cheques were cashed/cancelled.

Conversely, we have accepted the representations provided for cheques [REDACTED] to [REDACTED] [REDACTED] as the Organization has shown that these payments were made for services rendered to the Organization.

Based on the above representations, the benefits provided by the Organization in the fiscal period ended December 31, 2017, are revised as follows:

Payee	Amount of Benefit ¹ per AFL	Amount of Benefit after considering representations
[REDACTED]	\$136,000	\$136,000
[REDACTED]	\$199,980	\$199,980

¹ The term “Benefit” refers to amounts that are considered both “unacceptable private benefits” and “undue benefits”.

	\$499,981	\$499,981
	\$499,985	\$499,985
Miscellaneous	\$56,405	\$39,547
Total	\$ 1,392,351	\$ 1,375,493

The Organization did not provide any representations relating to the benefits conferred in 2018 as outlined in our AFL. Accordingly, no changes have been made to the amounts totalling \$1,689,985 included in the AFL. Below is a table outlining the undue benefits conferred by the Organization we consider are subject to sanction under subsection 188.1(4) of the Act, after reviewing and considering the Organization's representations.

Fiscal period ending	Type of sanction	Sanction %	Sanctioned amount	Sanction
Dec 31, 2017	Undue Benefit	105%	\$1,375,493	\$1,444,267
Dec 31, 2018	Undue Benefit	105%	\$1,689,985	\$1,774,484

We maintain our position that the Organization conferred material undue benefits that are sanctionable under subsection 188.1(4) of the Act. However, due to the seriousness of the non-compliance, we are not considering assessing the undue benefit penalties discussed in the AFL at this time and have instead concluded that revocation is a more appropriate outcome.

It remains our position that the Organization failed to devote its resources to charitable activities carried on by the Organization itself. In particular, it failed to exercise sufficient direction and control over its resources, it gifted funds to NQDs, and it provided unacceptable private benefits that constituted undue benefits. As a result, the Organization has failed to meet the definition of a charitable organization, outlined in subsection 149.1(1) of the Act, which requires that it devote its resources to charitable activities carried on by the Organization itself. As such, there are grounds for the Minister to revoke the charitable status of the Organization in the manner as described under subsection 168(1) of the Act.

2. The Organization is not constituted and operated exclusively for charitable purposes

A review of its governing documents supports that the Organization was originally constituted to advance charitable purposes. However, the audit found that the Organization's activities did not exclusively further the charitable purposes that it was registered to fulfill, nor were its resources devoted exclusively to charitable activities in furtherance of other recognized charitable purposes.

In the section immediately above, we have outlined that the Organization operated by carrying

out non-charitable activities, including gifting to NQDs and providing unacceptable private benefits which constituted undue benefits. This manner of operating failed to advance any charitable purpose, therefore we cannot conclude that the Organization is constituted and operated exclusively to advance charitable purposes as required at law.

The Organization's representations

No representations regarding this issue were provided by the Organization.

CRA's response

The Organization failed to address the concerns outlined in our AFL that it advanced non-charitable, collateral purposes.

Given it did not satisfy our concerns in this respect, it remains our position that, because the Organization failed to be constituted and operated exclusively for charitable purposes, it has not met the definition of a charitable organization found at subsection 149.1(1) of the Act, as required. As such, there are grounds to revoke the Organization's charitable registration under paragraph 168(1)(b) of the Act.

3. Failed to meet the disbursement quota

In order to determine the disbursement quota (DQ), we reviewed the year-end balances of the Organization's assets that were not used for charitable purposes. Our calculations were provided in our AFL. The audit findings indicate that the Organization failed to meet its DQ requirement for the fiscal periods under review.

The Organization's representations

No representations were provided by the Organization.

CRA's response

The Organization failed to address the concerns set out in our AFL with respect the DQ requirement.

Consequently, it remains our position that the Organization has not met its DQ requirement. As such, we intend to revoke the Organization's charitable registration pursuant to paragraph 149.1(2)(b) of the Act and in accordance with paragraph 168(1)(b) of the Act.

4. Failed to maintain adequate books and records

The audit found that the Organization's failed to maintain sufficient books and records, which made it impossible for the CRA to verify: the Organization's revenues and expenditures; the

charitable nature of its activities inside and outside Canada; the accuracy of its official donation receipts, and the accuracy of its Forms T3010.

The Organization's representations

No representations were provided by the Organization.

CRA's response

The Organization failed to alleviate the concerns presented in our AFL with respect to the adequacy of its books and records.

Consequently, it remains our view that the Organization failed to maintain adequate books and records. 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. As such, we intend to revoke the Organization's charitable registration under paragraph 168(1)(e) of the Act.

5. Failed to issue donation receipts in accordance with the Act and/or its Regulations

The audit found that the Organization failed to issue its donation receipts in accordance with the Act. As outlined in our AFL, we were unable to determine the accuracy of any of the official donation receipts (ODRs) issued as the Organization failed to provide copies of any ODRs. The summary list of ODRs provided to the CRA did not reconcile to amounts reported on the Organization's Registered charity information returns (T3010s).

The Organization's representations

No representations were provided by the Organization.

CRA's response

The Organization failed to alleviate the concerns presented in our AFL with respect to its donation receipting practices.

It remains our position that the Organization failed to issue receipts in accordance with the Act and/or its Regulations. As such, we intend to revoke the Organization's charitable registration under paragraph 168(1)(d) of the Act.

6. Failed to file an information return as and when required by the Act and/or its Regulations

The Organization failed to file accurate Registered charity information returns (T3010) as and when required by the Act. As a result, the audit was unable to verify the accuracy of the

information reported on the Organization's T3010s for the fiscal periods under review. We outlined various discrepancies in our AFL letter dated January 4, 2023.

The Organization's representations

No representations were provided by the Organization.

CRA's response

The Organization failed to alleviate the concerns outlined in our AFL with respect to the accuracy of its 2017 and 2018 T3010s.

Conclusion

For the reasons explained above and, in our letter dated January 4, 2023, 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

(i) 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,

- (iii) 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,
- (b.1) a registered journalism organization,
- (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

A - 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

$$\mathbf{A - B}$$

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

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.



January 4, 2023

Stephen Lee, Director
Grace Christian Chapel
7577 Curtis Street
Burnaby BC V5A 4W7

BN: 881225916RR0001
File number: 3016125
Case number: 56601541

Dear Stephen Lee:

Subject: Audit of Grace Christian Chapel

This letter results from the audit of the Grace Christian Chapel (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period of January 1, 2017 to December 31, 2018.

Background

The Organization was registered as a charitable organization on January 1, 2001. Its purposes at the time of registration were:

1. to function as a Christian charitable organization in Canada;
2. to provide community service towards the enrichment of Canadian Life;
3. to co-ordinate and provide housing for the needy(the handicapped, elderly and people with low income);
4. to promote and co-ordinate multi-cultural activity programs (ethnic, music, ESL classes, international student exchange and daycare etc.);
5. to provide and co-ordinate multi-cultural activity programs(ethnic, music, ESL classes, international student exchange and daycare etc.);
6. to provide and co-ordinate spiritual counseling in campuses and hospitals; and
7. to plant Chinese churches across Canada to proclaim Jesus Christ as Creator and Savior.

Prior audit

The CRA conducted an audit of the Organization for its fiscal period ending December 31, 2003. An education letter was issued to explain the following areas of non-compliance:

Official donation receipts

The Organization's donation receipts did not contain the full address of the donor or the signature of an authorized person. Additionally, the Organization did not retain at least one exact copy of each official income tax receipt.

Form T3010, Registered Charity Information Return

The Organization did not complete the information return correctly as follows:

- We were unable to reconcile the amount reported on line 4500 "total tax receipted gifts" as the same receipt book was used to issue donation receipts for two registered charities: Grace Christian Chapel (that is, the Organization) and Faith & Action Mission Society. The Organization was advised to discontinue issuing donation receipts for amounts donated to the other organization.
- Line 5000 'total charitable programs expenditures' was listed as nil. The Organization was advised to allocate the charitable program expense portion included in the total expenses line 4950, to line 5000.
- Line 5010 'total management and administration expenses' was also listed as nil. The Organization was advised to allocate the portion of management and administration costs included in line 4950, to line 5010.

Based on our current audit findings and the findings of the prior audit, we are concerned about the Organization's future compliance, particularly given its failure to remedy its areas of non-compliance identified in our prior audit.

Current audit

The CRA has identified specific areas of non-compliance with the provisions of the Income Tax Act and/or its Regulations in the following areas.

	Areas of non-compliance	Reference
1.	Failed to devote resources to charitable activities carried on by the Organization itself: I. Lacked direction and control over its own resources II. Gifted to non-qualified donees III. Delivered non- incidental private benefits IV. Conferred an undue benefit on a person	149.1(1), 149.1(2)(c)(ii), 168(1)(b) 188.1(4), 188.1(5),
2.	The Organization is not constituted and operated exclusively for charitable purposes: I. Unstated collateral non-charitable purpose	149.1(1), 168(1)(b)
3.	Failed to meet the disbursement quota	149.1(2)(b), 168(1)(b)

4.	Failed to maintain adequate books and records	149.1(2), 230(2), 168(1)(b), 168(1)(e), 188.2(2)(a)
5.	Failed to file an information return as and when required by the Act and/or its Regulations	149.1(2), 149.1(14) 168(1)(c)
6.	Failed to issue donation receipts in accordance with the Act and/or its Regulations	149.1(2), 168(1)(d), Regulation 3500 or 3501 188.2(2)(c)

As a registered charity, the Organization must comply with the law. If it fails to comply with the law, it may either be subject to sanctions under sections 188.1¹ and/or 188.2² of the Act, and/or have its registered charity status revoked in the manner described in section 168 of the Act.

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 provide representations to our findings to support why it believes that sanctions should not be assessed and/or why its registered status should not be revoked.

The balance of this letter describes the identified areas of non-compliance, and the potential consequences of the non-compliance, in further detail.

General legal principles

In order to maintain charitable registration under the Income Tax Act, Canadian law requires that an organization demonstrate that it is constituted and operated exclusively for charitable purposes (or objects) and that it devotes its resources to charitable activities carried on by the organization itself in furtherance thereof.³ To be exclusively charitable, a purpose must fall within one or more of the following four categories, also known as heads of charity,⁴ and deliver a public benefit:

¹ Financial sanctions are assessed under Section 188.1 of the Act.

² Suspensions of a registered charity's authority to issue official donation receipt, and qualified donee status, are assessed under section 188.2 of the Act.

³ 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" and *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10, 1999 CanLII 704 (SCC) at paras 156-159. A registered charity may also devote resources to activities that, while not charitable in and of themselves, are necessary to accomplish their charitable purposes (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.

⁴ The Act does not define charity or what is charitable. The exception is subsection 149.1(1) which defines charitable purposes as including "the disbursement of funds to qualified donees." The CRA must therefore

- (1) the relief of poverty;
- (2) the advancement of religion;
- (3) the advancement of education; and
- (4) other purposes beneficial to the community as a whole in a way which the law regards as charitable.

An organization's purposes must fall within one or more of these categories to be considered for registration as a charity. The formal purposes as set out in an organization's governing document must be clear and precise so as to reflect exclusively charitable purposes.

The public benefit 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 measurable.
 - Benefits may be measurable or intangible. Benefits that are not tangible or objectively measurable should be shown to be valuable or approved by the common understanding of enlightened opinion for the time being.⁵ In most cases, the benefit should be a necessary and reasonably direct result of how the purpose will be achieved.⁶ 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.⁷
- 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:

rely on the common law definition, which sets out four broad categories of charity. The four broad charitable purpose 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). The classification approach was explicitly approved of by the Supreme Court of Canada in Guaranty Trust Co of Canada v Minister of National Revenue, [1967] SCR 133, and confirmed in Vancouver Society of Immigrant and Visible Minority Women v MNR, [1999] 1 SCR 10, 1999 CanLII 704 (SCC).

⁵ For more information about public benefit, see CRA Policy statement CPS-024, Guidelines for registering a charity: Meeting the public benefit test. See also generally British Columbia (Assessor of Area #09 - Vancouver) v Arts Umbrella, 2008 BCCA 103; and Vancouver Society of Immigrant and Visible Minority Women v MNR, [1999] 1 SCR 10, 1999 CanLII 704 (SCC).

⁶ For more information about public benefit, see CRA Policy statement CPS-024, Guidelines for registering a charity: Meeting the public benefit test, and CRA Guidance CG-019, How to draft purposes for charitable registration. See also; Commissioners for Special Purposes of the Income Tax v Pemsel, [1891] AC 531 (PC) at 583.

⁷ Co-operative College of Canada v. Saskatchewan (Human Rights Commission), 1975 CanLII 808 (SKCA) at para 19; Vancouver Society of Immigrant and Visible Minority Women v MNR, [1999] 1 SCR 10, 1999 CanLII 704 (SCC) at para 202; For more information about charitable purposes see CRA Guidance CG-019, How to draft purposes for charitable registration at para 19.

- 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.⁸

The CRA must be satisfied that an 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.⁹

Identified areas of non-compliance

1. Failed to devote resources to charitable activities carried on by the Organization itself

A registered charity is required to devote all of its resources to its own charitable activities. In this regard, the Act allows a registered charity to use its resources (funds, personnel, and property) inside or outside Canada in only two ways:

- for its own charitable activities – undertaken by the charity itself under its continued supervision, direction and control;¹⁰ and
- for gifting to qualified donees as defined in the Act.

Our audit found that the Organization failed to demonstrate that it devoted its resources to its own charitable activities in the following four ways. It:

- I. lacked direction and control over its own resources;
- II. gifted to non-qualified donees;
- III. delivered non-incidental private benefits; and
- IV. conferred undue benefits on a person.

⁸ For more information about public benefit, see CRA Policy statement CPS-024, Guidelines for registering a charity: Meeting the public benefit test.

⁹ Canadian Magen David Adom for Israel v MNR, 2002 FCA 323 at para 69.

¹⁰ Canadian Committee for the Tel Aviv Foundation v. Canada, 2002 FCA 72 (CanLII) at para 31.

Legislation and jurisprudence

I. Lacked direction and control over its own resources

As stated above, the Act allows a registered charity to carry out its charitable purposes by making gifts to other organizations that are on the list of qualified donees set out in the Act, and by carrying on its own charitable activities under its direction and control. In contrast to the relatively passive transfer of money or other resources involved in making gifts to qualified donees, carrying on one's own activities implies that the charity is an active and controlling participant in a program or project that directly achieves a charitable purpose.

A charity can carry on its own activities using its staff, including volunteers, directors, and employees, or through an intermediary (for example, a private contractor) acting on its behalf. Whether it uses its own staff or works through an intermediary, a charity must direct and control the use of its resources. Although it may delegate the responsibility for day-to-day operating decisions to an intermediary, it cannot act as a conduit that merely funnels resources to an organization that is not a qualified donee. A charity's resources include all its physical and financial resources as well as its staff and volunteers.¹¹

A charitable organization must be careful about how it carries on its activities, and ensure that it keeps sufficient direction and control over its resources. In the absence of appropriately structured arrangements, such as agency agreements, to establish the necessary direction and control over its funds and purported activities, indicates the charity is gifting its funds to non-qualified donees, which is not a charitable activity and contrary to the provisions of the Act.

Used an intermediary

If unable to carry out its own activities through its staff, a charity typically uses an intermediary. An intermediary is an individual or non-qualified donee that the charity works with to carry out its own activities. The intermediary usually has resources that a charity needs, such as particular skills, resources, knowledge of a region, or specialized equipment. If a charity chooses to conduct its own activities through an intermediary it must still direct and control the use of its resources as the charity cannot merely contribute to, or act as a financial conduit for, the programs of another organization.

If acting through an intermediary, the charity must establish that the activity to be conducted will further its charitable purposes, and that it maintains continued direction and control over the activity and over the use of the resources it provides to the intermediary to carry out the activity on its behalf. A charity must maintain, as part of its books and records, an account of steps taken to direct and control the use of its resources. The books and records should be sufficiently detailed to allow the Canada Revenue

¹¹ For more information, see CRA Guidance CG-002, Canadian registered charities carrying out activities outside Canada and CRA Guidance CG-004, Using an intermediary to carry out a charity's activities within Canada.

Agency (CRA) to verify that all of the charity's resources have been used for its own activities.¹²

Though made in reference to an agency relationship, the underlying principles enunciated by the Federal Court of Appeal in Canadian Committee for the Tel Aviv Foundation v Canada are applicable to most intermediary arrangements:

Under the scheme of the Act, it is open to a charity to conduct its overseas activities either using its own personnel or through an agent. However, it cannot merely be a conduit to funnel donations overseas.¹³

And

Pursuant to subsection 149.1(1) of the Act, a charity must devote all its resources to charitable activities carried on by the organization itself. While a charity may carry on its charitable activities through an agent, the charity must be prepared to satisfy the Minister that it is at all times both in control of the agent, and in a position to report on the agent's activities.¹⁴

As re-iterated by the Court in Lepletot v MNR,¹⁵ an organization may carry on charitable activities through an agent if the activities are conducted on behalf of the organization. However, it is not enough for an organization to fund an intermediary that carries on certain activities. The law requires that the intermediary actually conduct those activities on the organization's behalf. Likewise, the Court in Canadian Magen David Adom for Israel v MNR mentions the importance of monitoring the activities when it stated that:

[A] charity that chooses to carry out its activities in a foreign country through an agent or otherwise must be in a position to establish that any acts that purport to be those of the charity are effectively authorized, controlled and monitored by the charity.¹⁶

Accordingly, where a registered charity undertakes an activity through an intermediary, it must be able to substantiate that it has actually arranged for the conduct of that specific activity on its behalf and has not simply made a transfer of funds to a non-qualified donee. It must be able to demonstrate that it maintains direction and control over, and is fully accountable for, the use of its resources. To this end, a charity would be expected to:

¹² For more information, see CRA Guidance CG-002, Canadian registered charities carrying out activities outside Canada and CRA Guidance CG-004, Using an intermediary to carry out a charity's activities within Canada.

¹³ Canadian Committee for the Tel Aviv Foundation v Canada, 2002 FCA 72 at para 30, Rothstein JA.

¹⁴ Canadian Committee for the Tel Aviv Foundation v Canada, 2002 FCA 72 at para 40, Rothstein JA.

¹⁵ Bayit Lepletot v Canada (MNR), 2006 FCA 128 at para 5.

¹⁶ Canadian Magen David Adom for Israel v Canada (MNR), 2002 FCA 323 at para 66, Létourneau JA.

- select the activity that it will conduct with or through an intermediary based on the fact that it will further the charity's charitable purposes, and after being satisfied that the intermediary is capable of conducting the activity on the charity's behalf; and
- supervise/direct, and make significant decisions in regard to the conduct of, the activity on an ongoing basis.

Although there is no legal requirement to do so, and the same result might be achieved through other arrangements or means, entering into a written agreement can be an effective way to help a charity meet the own activities test. However, the existence of an agreement is not enough to prove that a charity meets the own activities test. The charity must be able to show that it established an actual, real, ongoing, active relationship with the intermediary.¹⁷ A charity must record all steps taken to exercise direction and control as part of its books and records, to allow the CRA to verify that the charity's funds have been spent on its own activities. 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 a charity is providing resources to a non-qualified donee which would be in contravention of the Act.

The documentation should include:

- a clear, complete, and detailed description of the activity that is to be conducted, how it furthers the charitable purposes of the charity and how it is to be carried out by the project participant on the charity's behalf, including parameters, deliverables, milestones or goals;
- a provision for real and effective monitoring and supervision of the activity, and the project participant carrying on the activity, with mechanisms for someone accountable to the charity to give instructions about, have input into, and modify the nature or scope of, the activity on an on-going basis; and
- a requirement for the charity to receive regular, meaningful reports as the activity progresses. To be meaningful, reporting requirements must specify issues to be covered, and when they must be submitted, to ensure the charity has the opportunity to make significant decisions in regard to the conduct of the activity on a timely and ongoing basis.

The basic elements of a written agreement can be found in CRA's guidance CG-002, Canadian registered charities carrying out activities outside Canada at Appendix F or CG-004, Using an intermediary to carry out a charity's activities within Canada at Appendix C.

¹⁷ Canadian Committee for the Tel Aviv Foundation v Canada, 2002 FCA 72 at para 30.

II. Gifted to non-qualified donees

As indicated above, a registered charity is permitted to use its resources for making gifts to qualified donees. A **qualified donee** means a donee defined in subsection 149.1(1) of the Act, as follows:

- a registered charity (including a registered national arts service organization);
- a registered Canadian amateur athletic association;
- a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
- a registered Canadian municipality;
- a registered municipal or public body performing a function of government in Canada;
- a registered university outside Canada, the student body of which ordinarily includes students from Canada;
- a registered foreign charity to which Her Majesty in right of Canada has made a gift;
- Her Majesty in right of Canada or a province, or a territory; or
- the United Nations and its agencies.

III. Delivered non- incidental private benefits

In order to satisfy the definition of a **charitable organization** pursuant to subsection 149.1(1) of the Act, charitable organization is, amongst other criteria, defined as, “an organization [...] no part of the income of which is payable to, or otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof.”

A registered charity must be established and operated for the purpose of delivering a charitable benefit to the public or a sufficient segment thereof. The public benefit requirement prevents a charity from conferring an unacceptable private benefit in the course of pursuing charitable purposes.

At common law, a private benefit¹⁸ means a benefit provided to a person or organization that is not a charitable beneficiary, or a charitable beneficiary where a benefit goes beyond what is considered to be charitable. Private benefits can be conferred on a charity’s staff, directors, trustees, members, and/or volunteers while they are carrying out activities that support the charity, or to third parties who provide the charity with goods or services. Where it can be fairly considered that the eligibility of a recipient relates solely to the relationship of the recipient to the organization, any resulting benefit will not be acceptable.

¹⁸ Personal benefit is also sometimes used instead of **benefit** in the common law private benefit context; See CRA Guidance product CG-019, How to draft purposes for charitable registration.

Providing a private benefit is unacceptable unless it is **incidental** to accomplishing a charitable purpose. A private benefit will usually be incidental where it is necessary, reasonable, and proportionate to the resulting public benefit.¹⁹

(i) **Necessary** – Necessary means legitimately and justifiably resulting from:

- (a) an action taken to achieve a charitable purpose; or
- (b) a necessary step, a consequence, or a by-product of an action taken to achieve a charitable purpose; or
- (c) the operation of a related business as defined in paragraph 149.1(1) of the Act.

And

(ii) **Reasonable** – Reasonable means related to the charitable need and no more than is needed to achieve the purpose, and fairly and rationally assessed and distributed.

And

(iii) **Proportionate** – Proportionate means the private benefit cannot be a substantial part of a purpose or activity, or be a non-charitable end in itself. The private benefit must be secondary and the public benefit must be predominant and more significant.

The public benefit cannot be too speculative, indirect or remote, as compared to a more direct private benefit, particularly when a direct benefit is to private persons, entities, or businesses.

Examples of unacceptable (not incidental) private benefit might include:

- paying excessive salaries/remuneration
- paying for expenses, or providing benefits that are not justified or needed to perform required duties
- providing excessive per diems
- unjustified/unnecessary or excessive payments for services, facilities, supplies, or equipment
- promoting the work, talent, services, or businesses of certain persons or entities, without justification

IV. Conferred an undue benefit on a person

As stated above, pursuant to subsection 149.1(1) of the Act, as a charitable organization, no part of the Organization's income can be payable to, or otherwise made available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof. Any portion of a charitable organization's income that is received by such a person would be an unacceptable private benefit.

¹⁹ For more information, see CRA Policy statement CPS-024, Guidelines for registering a charity: Meeting the public benefit test.

Typically, private benefits that are unacceptable under the common law will also be undue under subsection 188.1(5) of the Act²⁰. An **undue benefit** means a benefit provided by a registered charity, a registered Canadian amateur athletic association (RCAAA), or a third party at the direction, or with the consent, of a charity or RCAA that would otherwise have had a right to that amount. An undue benefit includes a disbursement by way of a gift or the amount of any part of the income, rights, property or resources of the charity or RCAA that is paid, payable, assigned or otherwise made available for the personal benefit of any person who:

- (a) is a proprietor, member, shareholder, trustee or settlor of the charity or RCAA;
- (b) has contributed or otherwise paid into the charity or RCAA more than 50% of the capital of the charity or RCAA; or
- (c) does not deal at arm's length with a person in (a) or (b), or with the charity or RCAA.

Undue benefit does not include

- (a) a gift to a qualified donee;
- (b) reasonable consideration or remuneration for property acquired or services received by the charity or RCAA;
- (c) a gift made, or a benefit provided, in the course of a charitable act²¹ in the ordinary course of the charitable activities carried on by the charity or RCAA, unless it can be reasonably considered that the beneficiary was eligible for the benefit solely due to the relationship of the beneficiary to the charity or RCAA.

Subsection 188.1 (4) of the Act provides for the levying of a penalty to registered charities under specific circumstances. Under the Act, a registered charity cannot confer on a person an undue benefit (for example, a transfer of property or other resources of the charity to a person who does not deal with the charity at arm's length or who is the beneficiary of a transfer because of a special relationship with a donor or charity).

Under subsection 188.1(4) of the Act, a registered charity that confers on a person an undue benefit is liable to a penalty equal to 105% of the amount of the benefit. This penalty increases to 110% and the suspension of tax-receipting privileges for a repeat infraction within 5 years.

²⁰ Undue benefits sanctions are assessed under subsection 188.1(4) of the Act.

²¹ While charitable act is not defined in the Act, it is considered to refer to an activity that itself provides a charitable benefit to an eligible beneficiary.

Audit findings

I. Lacked direction and control over its own resources

The audit revealed that, during the audit period, the Organization gifted its resources with several non-qualified donees (NQDs) without having direction and control over how the resources would be used by the NQDs. In our view, the Organization did not provide the CRA with enough documentary evidence to support that it maintained direction and control over the manner in which the NQDs used the funds they received from the Organization.

The following is a list of the funds that were gifted to NQDs, and the documentary evidence, or lack thereof, to support our finding that the Organization lacked direction and control over its own resources during the audit period²²:

- a) In 2017, the Organization sent \$499,981 via wire transfer to [REDACTED] [REDACTED] an NQD located in [REDACTED], with no loan agreement in place and failed to provide documentation as to what these funds were for. As such, no evidence was provided to support that the Organization maintained any direction and control over how [REDACTED] used the Organization's funds. Additionally, the Organization made numerous trust deposits to [REDACTED] totaling \$136,000. Neither the Organization nor [REDACTED] provided any documentation to support the charitable purpose of these transactions.

In 2018, the Organization wire transferred \$40,000 to [REDACTED] as a loan. The loan was for \$80,000 (3rd parties contributed the other \$40,000 to the loan). A loan agreement, which the Organization did not sign, showed that no interest was to be paid nor was it secured. A taxable benefit should have been calculated at the amount of interest the person would have paid on the loan for the year at the CRA's prescribed rate. Additionally, there were no entries recorded in the Organization's meeting minutes related to the loan agreement to show that the loan was discussed and approved by the entire board of directors. Given the lack of a formal agreement, it is our view that Organization did not have control over how [REDACTED] would use the loaned funds.

In addition to the loan, the Organization made numerous trust deposits to [REDACTED] totaling \$150,000 and no documentation was provided to show a charitable purpose for these deposits:

- b) In 2018, the Organization sent \$1,499,985 in funds to Grace Foundation International (GFI), an NQD based in Thailand without establishing an agreement with GFI for how the funds were to be used.

²² Additional details regarding this sharing of resources with non-qualified donees are discussed below, starting with the audit findings outlined under the sub-heading called "II. Gifted to non-qualified donees".

- c) There were no board minutes to indicate board approval and charitable purpose for the funds sent in 2017 and 2018 to [REDACTED] or for the funds sent to GFI Thailand at numerous times throughout 2018.
- d) No monthly or quarterly progress reports were received from GFI that would demonstrate that the Organization had control over how GFI was using the resources it had received from Organization. The lack of any such reports supports that the Organization did not maintain adequate direction and control over the funds it gifted to GFI.
- e) The [REDACTED] handles the annual reports for the GFI. However, in addition to the Organization's failure to provide books and records to support the charitable purposes of the funds it sent to GFI, the [REDACTED] reports have also not been made available in Canada for the directors to review.
- f) The Organization did not provide the CRA with supporting documentation to substantiate the charitable purpose of the expenditures for which it sent funds to GFI Thailand.

As the Organization has been unable to either demonstrate that it had direction and control over how several NQDs used its resources or been able to demonstrate that its resources were being used to fulfill its charitable purposes, it is our view that the Organization lacked direction and control over its own resources.

Accordingly, it is our view that the Organization does not exercise either the required degree of direction and control over the use of its funds or over the activities conducted with those funds to establish that it is carrying out its own charitable activities in accordance with the provisions of the Act. The following sections outline the basis for our concerns in greater detail.

II. Gifted to non-qualified donees

Our audit revealed that the Organization gave to non-qualified donees in the following instances:

Fiscal period ending December 31, 2017

In addition to the regular church and charitable activities conducted by the Organization, it also loaned funds and wire-transferred funds to non-qualified donee [REDACTED] sent funds to [REDACTED] and wire-transferred funds to other NQDs, [REDACTED] [REDACTED], and to miscellaneous recipients as detailed below.

Funds wire transferred to [REDACTED]

Source	Description	Amount	Date
Wire	[REDACTED]	\$499,981	September 25, 2017
	Total for 2017	\$499,981	

Funds sent to [REDACTED]

In 2017, [REDACTED] and NQD [REDACTED] received cheques totalling \$136,000.00 from the Organization.

Source	Description	Amount	Date
Cheque	[REDACTED]	\$10,000	April 19, 2017
Cheque	[REDACTED]	\$6,000	June 9, 2017
Cheque	[REDACTED]	\$10,000	July 14, 2017
Cheque	[REDACTED]	\$10,000	August 4, 2017
Cheque	[REDACTED]	\$100,000	December 18, 2017
	Total for 2017	\$136,000	

The CRA received a confirmation letter from [REDACTED] confirming the amounts paid to them. The letter indicated these funds were held in trust to the “matter of [REDACTED] and related parties,” but this does not show a charitable purpose.

Funds wire transferred to NQD [REDACTED]

Source	Description	Amount	Date
Wire	[REDACTED]	\$199,980	June 22, 2017
	Total for 2017	\$199,980	

Funds wire transferred to [REDACTED]

Source	Description	Amount	Date
Wire	[REDACTED]	\$499,985	December 22, 2017
	Total for 2017	\$499,985	

Funds gifted to miscellaneous non-qualified donees

Source	Description	Amount	Date
Cheque [REDACTED]	Vinh Sien Chan	\$30,000	September 11, 2017
Cheque [REDACTED]		\$11,500	September 22, 2017
Cheque [REDACTED]		\$ 4,319	October 19, 2017
[REDACTED]	Unknown payment	\$ 5,228	November 3, 2017
Cheque [REDACTED]		\$5,358	December 5, 2017
	Total for 2017	\$56,405	

Total funds gifted to NQDs in 2017 = \$1,392,351

Fiscal period ending December 31, 2018

We determined the Organization funded NQDs GFI Thailand, [REDACTED] during the 2018 fiscal year as follows:

Funds wire transferred to GFI Thailand

Source	Description	Amount	Date
Wire	GFI	\$499,985	April 3, 2018
Wire	GFI	\$350,000	September 28, 2018
Wire	GFI	\$650,000	October 22, 2018
	Total for 2018	\$1,499,985	

We conducted a web search of Grace Christian Chapel and found a link to GFI in Thailand. We reviewed the GFI Thailand website, which is a not-for-profit. On the website we located Grace Christian Chapel. However, it did not establish a relationship between the two organizations, but simply gave contact information to the Grace Christian Chapel and its staff.

On December 28, 2020, Stephen Lee stated that “GFI in Thailand is a project started in 2005 in conjunction with other Christian groups and individuals from all over the world including USA, Australia, Singapore, Malaysia, Hong Kong, etc. The Thailand chapter of our organization, Grace Foundation, is a registered charity in Thailand and subject to annual auditing by the government. Among its directors are [REDACTED], [REDACTED] [REDACTED], and [REDACTED]. For more details of the work we do and the programs we run please refer to our website www.gracefoundationinternational.com.”

Further review of the website showed the heading of the Thailand Missionary Project. The link went on to explain the training of missionaries and the cost of supporting living expenses and learning for 100 youngsters. The articles discussed an orphanage, school, dormitory, discipleship training centre, and a Chinese school for the poor in Northern Thailand. During the audit period, the Organization sent funds to GFI, however, no supporting documentation was provided in the books and records to show how the funds

were used or that the activities being funded were those of the Organization. As well, there were no agency agreements in place, no foreign expense receipts for the amount of funds that were sent, or any progress reports.

Funds wire transferred to [REDACTED]

The Organization sent funds to NQD, [REDACTED], in the form of a loan.

Source	Description	Amount	Date
Wire	[REDACTED]	\$40,000	November 21, 2018
	Total for 2018	\$40,000	

Funds sent to [REDACTED]

[REDACTED] received cheques totalling \$150,000.

Source	Description	Amount	Date
Cheque [REDACTED]	[REDACTED]	\$100,000	January 31, 2018
Cheque [REDACTED]	[REDACTED]	\$ 50,000	August 14, 2018
	Total for 2018	\$150,000	

Total funds gifted to non-qualified donees in 2018 = \$1,689,985

III. Delivered non- incidental private benefits

In total, the Organization gifted \$1,392,351 of its resources in fiscal period ending December 31, 2017 and \$1,689,985 for fiscal period ending December 31, 2018 to NQDs. As the Organization is unable to demonstrate how any of the above-referenced gifts to NQDs were made in furtherance of its own charitable purposes, it is our view that each of the NQDs received non- incidental private benefits by receiving the gifted funds from the Organization.

While an argument could be made that some of the amounts that the Organization transferred to NQDs were not substantial compared to the Organization's total expenditures, **all** three of the above-noted conditions²³ must be met in order for private benefits to be considered acceptable. It is our view that the Organization failed to meet all three conditions as the Organization has not demonstrated that any public and charitable benefit resulted from the expenditures. As such, incurring these expenses was not necessary to fulfill a charitable purpose, nor was there a public benefit for the expenditures to be proportional to.

²³ That is, necessary, reasonable and proportionate.

Please see **Table 1** below for a calculation of the total non-incidental private benefits that the Organization provided during the fiscal period ending December 31, 2017:

Table 1: Non-incidental private benefits provided by the Organization during the fiscal period ending December 31, 2017

Non-incidental private benefit	Amount
	\$ 136,000
	\$ 199,980
	\$ 499,981
	\$ 499,985
Miscellaneous	\$ 56,405
Total Non-incidental private benefits	\$ 1,392,351

Please see **Table 2** below for a calculation of the total non-incidental private benefits that the Organization provided during the fiscal period ending on December 31, 2018:

Table 2: Non-incidental private benefits provided by the Organization during the fiscal period ending December 31, 2018

Non-incidental private benefit	Amount
GFI	\$ 1,499,985
	\$ 40,000
	\$ 150,000
Total Non-incidental private benefits	\$ 1,689,985

Penalty Proposed

IV. Conferred an undue benefit on a person

As outlined above, in each of the cases cited above in this letter, the Organization failed to demonstrate that it had direction and control over how the recipients of its resources used the funds. Accordingly, it is our view that the Organization has not demonstrated that any of the resources were used by the Organization to conduct its own charitable activities in furtherance of its charitable purposes. It is for these reasons that we have considered each of the identified transfers to be gifts to NQDs.

As also outlined above, it is our view that the Organization provided unacceptable private benefits when it transferred its resources to various NQDs, including its directors. In our view, each of these unacceptable private benefits also meets the definition of an undue benefit for the following reasons:

1. The gifted funds were not reasonable consideration for property acquired or services received by the Organization²⁴.
2. The gifted funds were not made in the course of charitable acts²⁵.
3. The gifted funds were not given to qualified donee(s)²⁶.

As such, the gifted funds can be considered undue benefits per the definition of “undue benefits” that is provided in subsection 188.1(5) of the Act. Please see **Table 3** below for a calculation of the total undue benefit in this regard.

Table 3: Total undue benefits conferred by the Organization

Fiscal period ending	Amount
December 31, 2017	\$ 1,392,351
December 31, 2018	\$ 1,689,985
Total Undue Benefit	\$ 3,082,236

The table below details the calculation of the penalty we are proposing to assess:

Grace Christian Chapel				
Fiscal period ending	Type of sanction	Sanction %	Sanctioned amount	Sanction
Dec 31, 2017	Undue Benefit	105%	\$1,392,350	\$1,461,968
Dec 31, 2018	Undue Benefit	105%	\$1,689,985	\$1,774,484

In summary

Based on the above audit findings, we are considering revoking and/or penalizing the Organization for not devoting its resources to charitable activities carried on by the Organization itself.

It is our view that, by gifting funds to NQDs, the Organization has provided unacceptable private benefits. As a result, the Organization has failed to meet the requirements of subsection 149.1(1) of the Act that it devote its resources to charitable activities carried on by the Organization itself. As such, there are grounds for the Minister to revoke the charitable status of the Organization in the manner as described under paragraph 168(1)(b) of the Act.

Financial sanction proposed

Additionally, it is our view that the above-mentioned unacceptable private benefits are also considered to be undue benefits as defined in subsection 188.1(5) of the Act. As such, there may also be grounds for the Minister to sanction the Organization under subsection 188.1(4) of the Act.

²⁴ Paragraph 188.1(5)(a) of the Act.

²⁵ Paragraph 188.1(5)(b) of the Act.

²⁶ Paragraph 188.1(5)(c) of the Act.

2. It is not constituted and operated exclusively for charitable purposes

Legislation and jurisprudence

As indicated under general legal principles, to be registered as a charity under the Act, Canadian law requires that an organization's purposes be exclusively charitable, fall within one or more of the four categories of charity and deliver a charitable public benefit. In addition, the purposes must define the scope of the activities in which the organization can engage.²⁷

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 an organization currently engages. In *Vancouver Society of Immigrant and Visible Minority Women v MNR*, the Supreme Court of Canada stated as follows:

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? (emphasis in original).²⁸

A charitable activity is one that directly furthers a charitable purpose. It 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. Instead, the activity may further, or even form, a separate or collateral purpose. An organization with a collateral non-charitable purpose is ineligible for registration under the Act.

Unstated collateral non-charitable purpose

Although the formal purposes of a registered charity are the apparent source of reference of whether or not the charity is constituted exclusively for charitable purposes, it is not the sole indicator. As stated above, according to the Supreme Court of Canada,²⁹ the question of whether an organization was established exclusively for charitable purposes cannot be determined by referring only to the purposes it was established for. It is also

²⁷ *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10, 1999 CanLII 704 (SCC) at para 159; *Travel Just v Canada Revenue Agency*, 2006 FCA 343 at para 2.

²⁸ *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10, 1999 CanLII 704 (SCC) at para 194, Iacobucci J. See also *AYSA Amateur Youth Soccer Association v Canada (Revenue Agency)*, 2007 SCC 42 at para 42.

²⁹ *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10 at para 194.

necessary to consider the organization's current activities to see if it advances other unstated purposes.³⁰ As such, the CRA also examines an organization's activities to determine whether it may be pursuing an unstated collateral non-charitable purpose.

Audit findings

A review of the Organization's governing documents supports that the Organization was originally constituted to fulfil charitable purposes. However, the audit found that the Organization's activities during the audit period did not support the charitable purposes that the Organization was registered to fulfil.

In the preceding section of this letter, we identified several examples wherein the Organization has used its resources to carry out non-charitable activities such as gifting to NQDs. In addition to these activities not furthering a charitable purpose, they did not further the purposes that the Organization listed in its governing documents. As such, it is concerning that the Organization is not fulfilling either its own specific stated purpose or any identifiable charitable purpose in general.

1. Unstated collateral non-charitable purpose

We recognize that the Organization is conducting its own charitable activities related to operating the Grace Christian Chapel. However, its primary activity is in support of the unstated collateral non-charitable purposes of significantly funding the programs and activities of NQDs and in this regard it is acting as a conduit. For example, as discussed above, the Organization sent its resources to:

- a) [REDACTED] totalling \$136,000 in 2017 and \$150,000 in 2018. Per the documents received as confirmation, [REDACTED] indicated that these funds were held in trust to the "matter of [REDACTED] and related parties". There is no evidence to support that these funds were used for charitable purposes of the Organization;
- b) [REDACTED] in amount totalling \$699,965.00 in 2017; and, in 2018, sent \$1,499,985.00 to GFI in Thailand. There is no evidence to support that these funds were used to run the charitable activities of the Organization; and
- c) [REDACTED] in total amount of \$499,981.50 in 2017 and \$40,000 in 2018. There is no evidence to support that these funds were used for the charitable activities of the Organization.
- d) Miscellaneous payments to non-qualified donees in 2017 totalling \$56,405

Based on the above information the Organization provided the CRA for the current audit, the Organization's primary purpose is to loan its resources and fund the programs and activities of NQDs, both foreign and domestic.

³⁰ In order to meet the legislative requirements for registration, it is not enough that an applicant be simply constituted exclusively for charitable purposes, but that it must also operate exclusively for charitable purposes.

Given the above details, it is our view that the Organization is primarily constituted to fulfill the unstated purposes of providing access to its own resources to multiple NQDs.

In summary

It is our view that the Organization has failed to meet the requirements of subsections 149.1(1) of the Act that it be constituted for exclusively charitable purposes, with all its purposes falling within one or more of the four categories of charity and delivering a public benefit, without conferring an unacceptable private benefit. For these reasons, and each of these reasons, there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

3. Failed to meet the disbursement quota

Legislation and jurisprudence

The disbursement quota is the minimum amount a registered charity is required to spend each year on its own charitable activities, or on gifts to qualified donees (for example, other registered charities). The disbursement quota calculation is based on the value of property (for example, cash in bank accounts, inventory, stocks, bonds, mutual funds, GICs, land, and buildings) that a charity does not use for carrying out its own charitable activities or by way of gifts to qualified donees, or for its administrative expenses such as fundraising costs.

The disbursement quota for a charitable organization is calculated as follows:

If the average value of a registered charity's property not used directly in charitable activities or by way of gifts to qualified donees, or for its administrative expenses during the 24 months before the beginning of the fiscal year exceeds \$100,000, the charity's disbursement quota is: 3.5% of the average value of that property.

The maximum allowances for carry-forward and carry-back of disbursement quota excesses are defined in subsection 149.1(20) of the Act (i.e., maximum carry-back of 1 fiscal year reporting period, maximum carry-forward of 5 fiscal year reporting periods).

Paragraph 149.1(2)(b) of the Act allows for revocation of a charitable organization, stating the Minister may revoke a foundation in the manner described in subsection 168(1) of the Act if the foundation fails to meet its disbursement quota, for any reason described in subsection 168(1). Paragraph 168(1)(a) of the Act applies where a registered charity ceases to comply with the requirements of the Act for its registration. These requirements include meeting the disbursement quota.

Audit findings

In order to determine the disbursement quota (DQ), we reviewed the year-end balances of the Organization's assets that were not used for charitable purposes. The assets we included in our calculation of the DQ are listed in Table 1 below.

Line 5900: To establish the average value, we first determined the value of the charity's property that is not used directly in charitable activities or administration at the end of each period within the 24-months. Then added all of the values together and divide the total by the number of periods. The result is the charity's average value of property for the purpose of calculating the disbursement quota.

Table 1: Calculation of the Organization's Disbursement Quota

	2015-12-31	2016-12-31	2017-12-31	2018-12-31
Bank account and accounts receivable	286,253	130,780	1,030,797	98,935
Investments	2,000,040	2,000,040	2,000,040	2,000,040
Other Properties	0	0	0	0
Total	2,286,293	2,130,820	4,030,837	2,178,975
Total Line 5900	2,356,931	2,325,022	2,208,557	3,080,829
Multiply line 5900 by 3.5%	x 3.5%	x 3.5%	x 3.5%	x 3.5%
	= 82,493	= 81,376	= 77,299	= 107,829
Less: Amounts spent on charitable expenditures	100,816	124,875	42,629	25,253
Total Disbursement quota	= 18,323	= 43,499	= (34,670)	= (82,576)
Total disbursement shortfall	(\$55,424)			

In summary

Based on the above audit findings, the Organization has not met its DQ requirement. Accordingly, it is our view that there are grounds for the Minister to revoke the charitable status of the Organization under subsection 149.1(2) of the Act in the manner described under paragraph 168(1)(b) of the Act.

4. Failed to maintain adequate books and records

Legislation and jurisprudence

Subsection 230(2) of the Act requires that every registered charity shall maintain adequate records³¹ 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 revocation of its registration under the Act;
- b) a duplicate of each receipt containing prescribed information for a donation received by it;
- 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.”

This provision is necessary to enable a charity to accurately provide the CRA with the information required by the Act, as well as ensuring the CRA can verify the accuracy of reported information through an audit and determine whether there are any grounds for revocation of the charity’s registration.

Subsection 231.1(1) of the Act permits an authorized person to inspect, audit, or examine the books and records of a taxpayer, as well any document of the taxpayer, or of any other person that relates, or may relate, to the information that is, or should be, contained in the books and records of the taxpayer, or to any amount payable by the taxpayer under the Act.

In order to meet these requirements, a charity’s books and records must allow the CRA to verify the charity’s revenues and expenses, as well as any official donation receipts it may have issued. Further, the Act requires that a charity’s records contain such information to allow the CRA to determine whether the charity’s activities continue to be charitable at law.

Subsection 230(4) also states that every 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.

³¹ Subsection 248(1) of the Act defines a record in the following way: “record includes an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and any other thing containing information, whether in writing or in any other form.”

Subsection 230(2) of the Act requires that registered charities maintain adequate books and records³² of account, at an address in Canada registered with the CRA, containing information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under the Act.

The requirement relating to the maintenance of books and records, and books of account, is based on several court decisions, which have held, among other things, that:

- the onus is on the registered charity to prove that its charitable status should not be revoked.³³
- 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.³⁴
- Paragraph 168(1)(e) of the Act provides that the Minister may propose to revoke registration of a registered charity 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.³⁵
- Paragraph 188.2(2)(a) of the Act provides that the Minister may suspend the authority of a registered charity to issue official donation receipts for one year if it fails to comply with, or contravenes any of sections 230 to 231.5 of the Act.
- The requirement to keep proper books and records is foundational and non-compliance with the requirement is serious and justifies revocation.³⁶

While paragraph 230(2)(a) of the Act does not explicitly set out the types of books and records that a registered charity is required to maintain, which could therefore lead to a technical failure to comply with the Act, given the significant privileges that flow from registration as a charitable foundation under the Act, the Minister must be able to monitor

³² Subsection 248(1) of the Act defines a record in the following way: “record includes an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and any other thing containing information, whether in writing or in any other form.”

³³ See Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72 at paras 26-27, [2002] 2 CTC 93.

³⁴ Canadian Committee for the Tel Aviv Foundation v Canada, 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. See also The Lord’s Evangelical Church of Deliverance and Prayer of Toronto v Canada, 2004 FCA 397.

³⁵ Opportunities for the Disabled Foundation v Canada (National Revenue), 2016 FCA 94 at para 39; and Ark Angel Foundation v Canada (National Revenue), 2019 FCA 21 at para 43.

³⁶ Jaamiah Al Uloom Al Islamiyyah Ontario v Canada (National Revenue), 2016 FCA 49 at para 15; and Ark Angel Foundation v Canada (National Revenue), 2019 FCA 21 at para 43.

the continuing entitlement of charitable foundations to those privileges. In that regard, the Federal Court of Appeal has held that there exists a serious obligation for registered charities to maintain adequate books and records, 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.³⁷

Additionally, if a registered charity has not complied with paragraph 230(2)(a) of the Act, it may be subject to a suspension of its qualified donee status for one year under paragraph 188.2(2)(a), which states that:

The Minister may give notice by registered mail to a person referred to in any of paragraphs (a) to (c) of the definition qualified donee in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the Income Tax Regulations is suspended for one year from the day that is seven days after the day on which the notice is mailed

- (a) if the person contravenes any of sections 230 to 231.5

Audit findings

During the audit, the following deficiencies were found with the Organization's books and records:

- a) The Organization added a new purpose to its governing documents in 2009 without first having the new purpose approved by the CRA.
- b) Bank statements for [REDACTED] account (account [REDACTED]) January 1, 2017 to November 30, 2017 were missing. These were requested but not received from the Organization.
- c) There were no supporting documents to allow us to verify the mortgage loan and interest for 2017 or 2018. Through discussion with Stephen Lee, we received the mortgage documents from Faith & Action Mission Society, as it was paying the mortgage on behalf of the Organization.
- d) No official donation receipts (ODRs) were provided for 2017 or 2018. Accordingly, we were unable to verify that the Organization's ODRs contained all the required elements.
- e) No documentation was provided to explain the transactions for the term deposit from [REDACTED] that were recorded in the general ledger.
- f) Expense receipts for January 1, 2017 to December 31, 2017 were missing. For example, we could not trace cheque [REDACTED] dated Sept 11, 2017, for \$30,000 payable to Vinh Sien Chan through to an invoice, and we could not trace cheque [REDACTED] dated Aug 14, 2018, for \$50,000 payable to [REDACTED] in trust through to an invoice to verify the expense.
- g) There was no supporting documentation for the professional fees that were reported as paid on the Organization's T3010s.

³⁷ Ark Angel Foundation v Canada (National Revenue), 2019 FCA 21 at para 43.

- h) No deposit books or supporting documentation were provided for all deposits to [REDACTED] account.
- i) Board meeting minutes were in a foreign language. They are required to be in either English or French, Canada's official languages.
- j) We requested the board meeting minutes be translated into English. Once translated, the minutes lacked detail related to the Organization's direction and control over funds sent overseas and to what activities the Organization was operating overseas.
- k) There were no foreign agency agreements in place with GFI, [REDACTED] detailing how the Organization would maintain direction and control over the funds it sent overseas and that it was running its own programs and activities.
- l) There was insufficient documentation to support that the daycare was operated by the Organization. The only supporting documentation provided was the daycare's bank statements. There were no invoices to support expenses or revenue or documentation to show how the daycare revenues were calculated.
- m) The Organization reported that it had \$1,140,000 in accounts payable at the end of the fiscal period ending on December 31, 2018. However, the Organization did not provide any documentary evidence to support these amounts.
- n) The Organization loaned money to Faith & Action Mission Society, which operates Grace Senior Home. Faith & Action is a charity that has directors in common with the Organization. There was no signed loan agreement or interest received from this charity.

In summary

Based on the above findings, it is our view that the Organization failed to maintain adequate books and records. 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. For these reasons, there are grounds for revocation of the Organization's charitable status.

Suspension Proposed

In addition, as it is our view that the Organization has failed to comply with subsection 230(2) of the Act, under paragraph 188.2(2)(a) of the Act the Minister may suspend the Organization's authority to issue official donation receipts for one year.

5. Failed to issue donation receipts in accordance with the Act and/or its Regulations

Legislation and jurisprudence

Pursuant to subsection 118.1(2) of the Act, a registered charity can issue tax receipts for income tax purposes for donations that legally qualify as gifts. The Act requires the registered charity to ensure that the information on its Official Donation Receipts (ODR)

is accurate and that the ODRs contain the required information listed in Regulation 3501 of the Act. A registered charity could have its registered status revoked under paragraph 168(1)(d) of the Act for issuing tax receipts that contain false information.

Additionally, if a registered charity has issued official donation receipts that were not in accordance with the Act and its Regulations, it may be subject to a suspension of its qualified donee status for one year under paragraph 188.2(2)(c), which states that:

The Minister may give notice by registered mail to a person referred to in any of paragraphs (a) to (c) of the definition qualified donee in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the Income Tax Regulations is suspended for one year from the day that is seven days after the day on which the notice is mailed

- (c) in the case of a person referred to in paragraph (a) of the definition "qualified donee" in subsection 149.1(1), if the person has issued a receipt for a gift otherwise than in accordance with this Act and the regulations;

Our findings as they pertain to the Organization's ODRs are outlined below.

Audit findings

The audit found that the Organization failed to issue its ODRs in accordance with the Act. The following deficiencies were found with the ODRs during the audit period:

- The Organization provided a summary of the donation receipts issued. However, we were unable to determine if the ODRs issued by the Organization contained all the required elements per Regulations 3500 and 3501 of the Act, and could not reconcile the amounts reported on the donation summary to the donation receipts, as none of the donation receipts for the audit period was provided.
- The Organization failed to retain a copy of the ODR.
- On September 24, 2020, we requested a copy of the 2018 ODR issued to [REDACTED] in the amount of \$65,900. However, this documentation was not provided.

In summary

Under paragraph 168(1)(d), the Minister may, by registered mail, give notice to the registered charity that the Minister proposes to revoke its registration if it issues a receipt otherwise than in accordance with the Act and its Regulations. It is our position, as outlined above, that the Organization has not issued receipts in accordance with the Act and/or its Regulations. For this reason, there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(d) of the Act.

Suspension Proposed

In addition, as it is our view that the Organization has issued official donation receipts not in accordance with the Act and the regulations, under paragraph 188.2(2)(c) of the Act the Minister may suspend the Organization's authority to issue official donation receipts for one year.

6. Failed to file an information return as and when required by the Act and/or its Regulations

Legislation and jurisprudence

Subsection 149.1(14) of the Act states that:

Every registered charity and registered Canadian amateur athletic association shall, within six months from the end of each taxation year of the charity or association and without notice or demand, file with the Minister both an information return and a public information return for the year in prescribed form and containing prescribed information.

It is the responsibility of a charity to ensure that the information provided in its Form T3010, schedules and statements, is factual and complete in every respect. A charity is not meeting its requirements to file an information return in prescribed form if it fails to exercise due care with respect to ensuring the accuracy thereof. The Federal Court of Appeal has confirmed that a significant number of inaccuracies, or beyond what might reasonably be viewed as minor, in a Form T3010 are a sufficient basis for revocation.³⁸

Audit findings

The Organization failed to file an accurate charity information return. We noted the following discrepancies for December 31, 2017 and December 31, 2018 returns:

- a) Schedule 2 Activities Outside Canada was not filled out for both 2017 and 2018.
- b) The Organization did not pay any employees in 2017, yet it filled out Schedule 3. In 2018, the Organization did not fill out Schedule 3.
- c) Line 4500 received donations did not match the donation summary listing provided by the Organization. The discrepancies of revenue received was \$541,787 for 2017 and \$157,047 for 2018.
- d) Lines 5000 to 5040 was not filled out for 2017.
- e) Line 5050 listed gifts to NQDs not registered charities in 2017 and 2018.
- f) Line 5900 and 5910 were not filled out in either audit period.
- g) The general ledger did not reconcile to the amounts reported on Form T3010 in either audit period.
- h) Worksheet T1235 was not attached to the T3010 return for 2017.
- i) In 2018, the T1235 Directors Worksheet was missing the start dates, the telephone numbers, and some of the postal codes of the directors. It was also missing the

³⁸ Opportunities for the Disabled Foundation v MNR, 2016 FCA 94 at paras 50-51.

birthdate for one of the directors. In 2019, the director's middle initial was not filled in.

- j) The T1236s for 2017 and 2018 were filled out incorrectly.
- k) As per the Organization's representations received on December 28, 2020, half of the church had been disposed of to another charitable organization. However, there was no disposition of assets reported on line 4600 of the T3010 in 2018.

In summary

Under subsection 168(1)(c) of the Act, the registration of a charity may be revoked if it fails to file a charity information return as and when required under the Act. It is our position that the Organization has failed to comply with the Act by failing to file an accurate T3010. For this reason, there are grounds to revoke the registered status of the Organization under paragraph 168(1)(c) of the Act.

The Organization's options:

a) Respond

Should you choose to make representations regarding this proposal, please provide your written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter. After considering the representations submitted by the Organization, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include:

- no compliance action necessary;
- the issuance of an educational letter;
- resolving these issues through the implementation of a Compliance Agreement;
- the application of penalties and/or suspensions provided for in sections 188.1 and/or 188.2 of the Act; or
- giving notice of its intention to revoke the registration of the Organization by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

b) Do not respond

You may choose not to respond. In that case, the Director General of the Charities Directorate may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act or give notice of its intention to revoke the registration of the Organization by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

The Act provides the Minister the discretion to revoke a charity's registration. Section 168 of the Act describes the manner in which the Minister may revoke a charity's registration. In accordance with subsection 168(1) of the Act, when proposing to revoke,

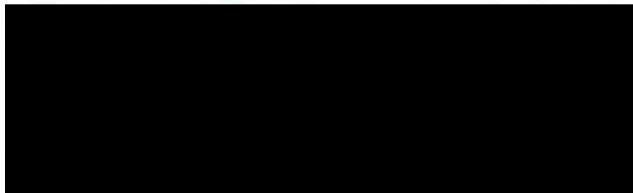
the charity is given notice by registered mail of the Minister's intention to revoke the charity's registration. The charity's registration is not revoked until a copy of the notice is published in the Canada Gazette. Paragraph 168(2)(b) of the Act allows the Minister to publish the notice in the Canada Gazette any time after the expiration of 30 days from the date of the mailing of the notice.

After considering the Organization's response to this letter, the Minister may decide to exercise her authority to revoke its charitable registration. If so, the Minister will issue a notice of intention to revoke the Organization's registration and will indicate in the notice whether the Minister intends to publish the notice in the Canada Gazette immediately after the expiration of 30 days from the date of the mailing of the notice.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go on our website at canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01.

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers indicated below. My team leader, Crystal Scott, may also be reached at 587-335-1670.

Yours sincerely,



Bronwyn MacKinnon
Audit Division
Alberta Tax Service Office

Telephone: 587-334-2182
Facsimile: 780-495-6908
Address: Suite 10, 9700 Jasper Avenue NW
Edmonton AB T5J 4C8

c.c.: Sieu Vinh Chan

5 pages

SCANNED

ATTN: February 22, 2023
Neesha Bhat
Bronwyn MacKinnon
Audit Division
Alberta Tax Service Office
Suite 10, 9700 Jasper Avenue NW
Edmonton, AB T5J 4C8

Re: Audit of Grace Christian Chapel

FILE #: 3D16125

Osc #: 56601541

Dear Bronwyn,

My name is [REDACTED] Sieu Vinh Chan has asked me to provide your office details in response to three items listed on page 15 of the letter from Canada Revenue Agency dated January 4, 2023. Please find attached copies of the cheques and invoices that corresponds to the three cheques listed on page 15.

1. Cheque [REDACTED] was issued to Sieu Vinh Chan for a loan repayment. Please refer to the two cheques (\$10,000 and \$20,000) from [REDACTED] and Sieu Vinh Chan.
2. Cheque [REDACTED] for \$11,500 was issued to [REDACTED] for services rendered. Please refer to invoice [REDACTED]
3. Cheque [REDACTED] for \$5358 was issued to [REDACTED] for services rendered. Please refer to invoice [REDACTED]

Sincerely yours,

- 15 -

Funds gifted to miscellaneous non-qualified donees

Source	Description	Amount	Date
Cheque [REDACTED]	Vinh Sien Chan	\$30,000	September 11, 2017
Cheque [REDACTED]		\$11,500	September 22, 2017
Cheque [REDACTED]		\$4,319	October 19, 2017
[REDACTED]	Unknown payment	\$5,228	November 3, 2017
Cheque [REDACTED]		\$5,358	December 5, 2017
	Total for 2017	\$56,405	

Total funds gifted to NQDs in 2017 = \$1,392,351

Fiscal period ending December 31, 2018

We determined the Organization funded NQDs GFI Thailand, [REDACTED] during the 2018 fiscal year as follows:

Funds wire transferred to GFI Thailand

Source	Description	Amount	Date
Wire	GFI	\$499,985	April 3, 2018
Wire	GFI	\$350,000	September 28, 2018
Wire	GFI	\$650,000	October 22, 2018
	Total for 2018	\$1,499,985	

We conducted a web search of Grace Christian Chapel and found a link to GFI in Thailand. We reviewed the GFI Thailand website, which is a not-for-profit. On the website we located Grace Christian Chapel. However, it did not establish a relationship between the two organizations, but simply gave contact information to the Grace Christian Chapel and its staff.

On December 28, 2020, Stephen Lee stated that "GFI in Thailand is a project started in 2005 in conjunction with other Christian groups and individuals from all over the world including USA, Australia, Singapore, Malaysia, Hong Kong, etc. The Thailand chapter of our organization, Grace Foundation, is a registered charity in Thailand and subject to annual auditing by the government. Among its directors are local lawyers, businessmen, school principals, and church ministers. For more details of the work we do and the programs we run please refer to our website www.gracefoundationinternational.com."

Further review of the website showed the heading of the Thailand Missionary Project. The link went on to explain the training of missionaries and the cost of supporting living expenses and learning for 100 youngsters. The articles discussed an orphanage, school, dormitory, discipleship training centre, and a Chinese school for the poor in Northern Thailand. During the audit period, the Organization sent funds to GFI, however, no supporting documentation was provided in the books and records to show how the funds



INVOICE # [REDACTED]

SERVICE FOR: Grace Christian Chapel
[REDACTED]

BILL TO:

Date: September 20, 2017

DESCRIPTION	AMOUNT
Aluminum Fence (Exterior - front & side) -Remove old fence & install new	\$ 7,200.00
Build new bathroom on the 2nd floor	\$ 3,752.38
GST [REDACTED]	Sub-total
5%	GST Tax:
	Amount due:
	\$ 10,952.38
	\$ 347.62
	\$ 11,500.00

COMMENTS

65.371

INVOICE # [REDACTED]

SERVICE FOR: Grace Christian Chapel
[REDACTED]

BILL TO:

Date: December 1, 2017

DESCRIPTION	AMOUNT
Build new dishwashing room: -Open doorway (expand doorway) Labour	\$ 750.00
Kitchen: -Install cabinet & countertop Supply	\$ 1,700.00
-Install double sink & faucet Supply	\$ 296.00
-Install sliding door & frame Supply	\$ 250.00
-Install lights Supply	\$ 80.00
	\$ 900.00
	\$ 3,226.00
-Install 2 emergency lighting packs [REDACTED]	
-Install 4 running man exit signs Supplies	\$ 776.92
	\$ 350.00
	\$ 1,126.92
	Sub-total
GST # [REDACTED]	\$ 5,102.92
	GST Tax:
	\$ 255.15
	Amount due:
	\$ 5,358.07

COMMENTS
