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**TO:** Member Congregations of the Canadian Unitarian Council  
**RE:** Further Background Information for Motion to Amend Charitable Purposes  
**DATE:** May 16, 2016  
**FROM:** Vyda Ng, Executive Director

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Dear UUs,

After the official Notice of Meeting package was distributed to congregations, there has been discussion, speculation and questions about the proposed change to the CUC's charitable purposes. The CUC Board and I would like to share more background about the reason for this, the process by which the decision was made and the rationale for the CUC Board's approval of the proposed changes. We hope that this will provide more context for your decisions at the Annual General Meeting.

**First, the timeframe:**

- Friday, April 15<sup>th</sup>, 2016: I received notice from Carter's Professional Corporation, the lawyers working with CUC on the Canada Revenue Agency audit, that CRA had sent a compliance letter and agreement. CUC had 30 days to respond in full to 5 areas for correction outlined by CRA, which would be May 15<sup>th</sup>.
- Monday, April 18<sup>th</sup>: The CUC's Audit Committee met with lawyers to discuss a response to the compliance letter and agreed to request a 90 extension from CRA. The full CUC Board was notified on this date.
- Monday, April 24<sup>th</sup>: monthly CUC Board meeting.
- Thursday, April 28<sup>th</sup>: the last day by which the Official Call to Meeting had to be sent out in accordance with CUC By-Laws.

From the time we received notification about the results of the audit to the deadline for issuing the Official Call to Meeting for the CUC's Annual General Meeting, we had 13 days to act. Why is this significant?

While there were several areas outlined for correction in the CRA letter, most of these have already been addressed - the audit was for 2012 and 2013, so CUC staff has been taking corrective measures – but the one area that needed immediate attention and that necessitated the participation of the whole Council was the requirement to amend the CUC's charitable purposes.

CRA was clear that our existing purposes (Appendix A), although approved by Industry Canada in 2015, did not meet CRA criteria for a religious charity. In particular, #2 (*Engage with*



*and support the work of Unitarian Universalist, and Unitarian and Universalist groups internationally) and #3 (work for justice in the world) was not sufficient. CRA stated “We advise that the Organization's purposes 2 and 3 are broad and vague and do not clearly define the scope of the Organization's activities. Broad purposes are often expansive and do not always express a direct or tangible charitable benefit. They can permit both charitable and non-charitable activities. Vague purposes are ambiguous and can be interpreted in many different ways.”*

The corrective measure laid out by CRA is:

- i) The Organization agrees to submit draft amended purposes<sup>1</sup> to the CRA within 30 days of signing the Compliance Agreement...; and
- ii) Once CRA has approved the draft amended objects, the Organization agrees to formally amend its supplementary letter patent, and once approved, provide a copy of the amended supplementary letters patent to the CRA.

At the time, although a request for an extension was submitted, we had no way of knowing if the extension would be granted, or for how long. We proceeded under the assumption that we had 30 days to respond.

The CUC Board of Directors was due to meet on April 24<sup>th</sup> for their monthly meeting. The Audit Committee and Board knew that any changes to the Purposes had to be: i) drafted by the lawyers to ensure accuracy (Carters' is the leading law firm on charity law, and specialises in religious charities); ii) circulated to the Board for discussion and approval; iii) approved by CRA; iv) sent to member congregations with the Official Call to Meeting by April 28<sup>th</sup> to meet our own by-law requirements.

### **Drafting the Amendment**

CRA had no issue with the first part of CUC's current charitable purpose so that part was left intact. The challenge was interpreting how to phrase the intention of justice work, and the ability for CUC to work with international partners on various initiatives in accordance with CRA and Income Tax requirements. Many of you know that Canadian charities can work abroad only under very specific conditions, and that this has affected CUC's ability to partner with our international affiliates.

Carters' worked on a draft that was circulated to the Board in advance of the April 24<sup>th</sup> meeting. At that meeting, the Board made a modification which was sent back to Carter. Carter then came back with a revised text that was accepted by the Board. This is the motion that was sent to member congregations and to CRA.

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<sup>1</sup> “How To Draft Purposes for Charitable Registration” can be found on the CRA website at <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/drftprpss-eng.html>.



The Motion to Amend is:

**Therefore, be it resolved that, subject to any amendments required by CRA, the Canadian Unitarian Council’s charitable purposes be amended as follows:**

**The Statement of Purpose of the Corporation is to promote Unitarian Universalism, Unitarianism and Universalism, in Canada and internationally, by:**

- 1. Affirming and promoting the principles, practices, and traditions of the Unitarian Universalist, Unitarian and Universalist faiths;**
- 2. Supporting the development and growth of Unitarian Universalist, Unitarian and Universalist religious communities;**
- 3. Nurturing, supporting and enhancing religious communities and other groups to work together on mutual concerns for the benefit of the community; and**
- 4. Providing basic necessities of life, including food, clean water, clothing, medical and dental care and supplies, shelter, and education, tuition and school supplies to those in need.**

**The President and one other Trustee are authorized to make any amendments required by CRA to the above purposes.**

### **The Rationale**

The previous version had separated CUC activities into Section 1 for national, and Section 2 for international activities. The Purpose now includes, as part of its overarching statement, the aim to promote Unitarian Universalism *both nationally and internationally*. The new wording now means that ALL activities set out in the following points (#1 to #4) can be undertaken on both national and international levels. Far from restricting us, the amendment allows for justice work (#3 “...work together on mutual concerns for the benefit of the community”) and for more scope in what we do. This is further supported in the clause setting out that the CUC Purpose is carried out by “Affirming and promoting the principles, practices, and traditions of the Unitarian Universalist, Unitarian and Universalist faiths”, which by their very nature includes justice work.

A draft proposed by the Board also included a statement about promoting social justice and human rights practices internationally. Consultation with the lawyer netted us this response:

While we know how integral social justice is to your faith, we doubt that the auditor or her superiors will find “promote justice and human rights practices” any less broad or vague than the current purpose of “work for justice in the world” which she has already found to be too broad or vague. CRA could also find promoting human rights to be a political purpose which is not allowed. On the contrary, upholding human rights could



be allowed as a charitable purpose but only if it is based on upholding or clarifying human rights that have been established in a law such as the *Charter* in Canada or similar legislation in another country. Advocating for new rights at the international level would not be considered a charitable purpose but a political purpose which would not be accepted by CRA.

CRA has issued a Guidance on “Upholding Human Rights and Charitable Registration” CG-001 <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/hmn-rghs-eng.html> It provides the following examples of unacceptable political purposes:

- to pressure the nations of the world to change the body of international human rights agreements;
- to focus on one particular country and pressure its legislature or government to sign an international human rights agreement;
- to focus on one particular country and pressure its legislature or government to enact or alter domestic human rights legislation in the country; or
- to attempt to persuade a number of countries or countries in a region to enact or amend legislation on human rights

However, CUC can still participate in political activities as distinct from political purposes, provided they are connected and subordinate to its charitable purpose of advancing religion, non-partisan, well-reasoned, and involve no more than 10% of its human and financial resources.

There has been concern expressed that #4 implies that we are a direct service organization. The wording is as specific as it is to clearly enable the CUC to carry on initiatives internationally. All Canadian charities have to show direction and control over international work, and not just hand over money. The wording in #4 is based on a contract that CUC signed with the Unitarian Church in Burundi in 2014 that provided school supplies for 150 children, health cards for 600 children and their families with access to a range of health services, and seed and supplies for families who had taken in children orphaned by AIDS. This contract was acceptable to the CRA for the purposes of international work.

At the same time, because the first three clauses now have both national and international scope, the CUC will be able to advance in these areas internationally. Similarly, the fourth clause also provides more scope for us to work with other charities in Canada on basic human rights.

The CUC Board has approved the proposed amendment after careful deliberation, based on the fact that the amendment meets all criteria for the CUC to carry out its Principles and



activities as a religious organization, and Canada Revenue Agency’s requirements for religious charities.

### **No Amendment to the Amendment**

This was a carefully thought out and intentional statement in the background statement accompanying the proposed motion. The CUC has one of the best law firms in the country, who are experts in charitable law. One of the lawyers working directly with us is one of the top lawyers in writing charitable purposes and has expert knowledge of what is required by CRA and Industry Canada; she was instrumental in writing the amended Purpose for CUC.

After this was approved by the CUC Board and the Official Call to Meeting was sent, we have subsequently learnt that CRA has “no issue” with the amendment, and will accept it once it’s been approved by delegates. This is very good news.

### **Why should we do what CRA tells us?**

As a Canadian charity, we continue to be held to the requirements of the Income Tax Act and Canada Revenue Agency. These requirements are strict, and transgressions are not taken lightly. Some members have argued that the Prime Minister’s mandate to the Minister of Finance includes a direction to “allow charities to do their work on behalf of Canadians free from political harassment, and modernize the rules governing the charitable and non-for-profit sectors.” Until this direction is translated into approved legislation, we must continue to abide by current rules.

Ever since the CRA audit was announced in January 2015, the CUC Board and I have had extensive conversations about how to proceed, complying with the process, and potential consequences of not being able to retain charitable status. If charitable status is revoked, it means more than not being able to issue tax receipts or having a tax exemption. It means that a revocation tax will be applied equal to the assets that a charity has. This would mean that a charity loses ALL of its assets in paying the tax, including any investments, stocks and bonds. The CUC Board has a fiduciary responsibility to protect the assets of the CUC, and the Board and I believe that it would be poor stewardship of our resources to intentionally take action that risks the revocation of our charitable status.

### **In conclusion**

On April 26<sup>th</sup>, the CUC’s lawyers informed us that CRA had agreed to a 90-day extension, giving us until July 14<sup>th</sup> to respond in full to the matters in the compliance agreement. This provides extra time but does not allow for a full year until the 2017 AGM for discussion and approval by member congregations of proposed amendments to our charitable purposes.

On May 2<sup>nd</sup>, we received confirmation that CRA had approved the amendment as submitted.



Both the extension and the acceptance of our amended purposes by CRA is good news on several levels. The Audit Committee now has time to work on a full response to the other compliance matters raised by the CRA after the AGM and national conference. The approval of the amendment by CRA in advance of our AGM means that there is no guesswork about what will be acceptable.

There has been suggestion from some congregations to establish a task force to review the proposed amendment. There are several issues to consider:

- There would be further investment of effort in writing and reviewing. Since I would be involved in this, there would be other areas of work that would have to take a back seat;
- The possible lack of any real benefit in light of other CUC guiding documents – our Principles, CUC Vision, By-Laws, Board and Operational Policies, etc;
- Further legal costs of these steps. The legal bill for 2015 in direct relation to the CRA audit amounted to approximately \$38,000; further costs have already been incurred this year, and there will be additional costs when we consult on our response to CRA; the CUC proposed budget for 2016 is a very lean one, with not much room for additional expenditure;
- The real possibility of not finding another statement that is acceptable to CUC member congregations, Canada Revenue Agency and Industry Canada.

The CUC Board and I urge you to consider all aspects of the situation and to contemplate carefully the implications of the proposed amendment, and the consequences should the motion fail. The amendment speaks to our purpose as a religious organization, allowing us to carry out living our Principles nationally and internationally, and has the advantage of being previously approved by CRA.

In faith,  
Vyda Ng  
Executive Director  
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## **APPENDIX A**

The CUC's current articles or charitable purposes are:

The Canadian Unitarian Council exists to:

1. Promote Unitarian Universalism, Unitarianism and Universalism in Canada by:
  - Supporting the development and growth of Unitarian Universalist, Unitarian and Universalist religious communities
  - Nurturing, supporting and enhancing religious communities and other groups to work together on mutual concerns for the benefit of the community
2. Engage with and support the work of Unitarian Universalist, and Unitarian and Universalist groups internationally
3. Work for justice in the world