



JUN 15 2007

BY REGISTERED MAIL

Envision Global Charity
15 – 280 Edward Street
St.Thomas, Ontario N5P 4C2

Attention: Ms. Marlene Berry, Director

BN: 86579 6916 RR 0001

**SUBJECT: Notice of Intention to Revoke
Envision Global Charity**

Dear Ms. Berry:

I am writing further to our letter dated July 26, 2006 (copy enclosed), in which you were invited to submit representations to us as to why the Minister of National Revenue should not revoke the registration of Envision Global Charity (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA").

We have reviewed the written response of October 31, 2006 (copy enclosed) provided by Ms. Karen J. Cooper of Carters Professional Corporation. You will find our comments in Appendix "A" attached.

Conclusion

After careful review of the representations included in your letter of October 31, 2006, it is our conclusion that sufficient reasons have not been provided as to why the Charity's status as a registered charity should not be revoked. The Charity failed to demonstrate that it distributed the drugs, medicines and medical equipment, for which it issued official donation receipts, to its agents located in Cuba. The Charity also failed to satisfy our concerns regarding control and accountability over the goods shipped to Cuba, valuation of gifts in kind and director benefits.

Consequently, for each of the reasons mentioned in our letter dated July 26, 2006 and in Appendix "A", I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) of the ITA, and delegated to me, I propose to revoke the registration of the Charity. By virtue of subsection 168(2) of the ITA, the revocation will be effective on the date of publication in the Canada Gazette of the following notice:

.../2

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

Business Number
86579 6916 RR 0001

Name
Envision Global Charity
St.Thomas, Ontario

In accordance with subsection 168(2) of the ITA, you can suspend this process (i.e. seek an extended period before revocation) by applying to the Federal Court of Appeal or a judge of that court for a stay. The Court will acknowledge your application and provide you with an action number. We require a copy of the Court acknowledgement of your request for a stay to stop the revocation process.

Should you wish to appeal this Notice of Intention to Revoke the Charity's registration in accordance with subsection 168(4) of the ITA, you are advised to file a Notice of Objection within 90 days from the mailing of this letter. This notice is a written statement that sets out the reasons for the objection and all the relevant facts. The Notice of Objection should be sent to:

Tax and Charities Appeals Directorate
Appeals Branch
Canada Revenue Agency
25 Nicholas Street
Ottawa, ON K1A 0L5

Please note that, notwithstanding the filing of a Notice of Objection, the Charity must seek the above-noted stay to prevent revocation from occurring. Unless the Canada Revenue Agency receives notice that an application for a stay has been filed to the Federal Court of Appeal or judge of that court regarding this revocation, we intend to proceed with the publication of the above notice in the *Canada Gazette* in 30 days thereby affecting the revocation of the organization's registration.

Consequences of a Revocation

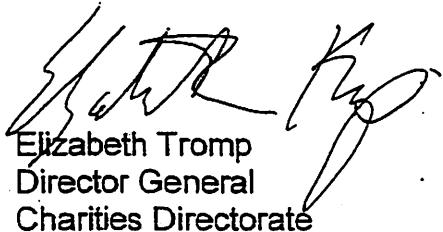
As of the date of revocation, which is the date upon which the above-noted notice is published in the *Canada Gazette*, the Charity will no longer be exempt from Part I Tax as a registered charity and will no longer be permitted to issue official donation receipts.

Additionally, by virtue of section 188 of the ITA, the Charity will be required to pay a tax within one year from the date of the Notice of Intention to Revoke the Charity's registration. This revocation tax is calculated on prescribed form T-2046 "Tax Return Where Registration of a Charity is Revoked". The return must be filed and the tax must be paid on or before the day that is one year from the date of the Notice of Intention to Revoke a charity's registration. For your reference, I have attached a copy of the relevant provisions of the ITA in Appendix "B" concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation. Form T-2046, along with the related Guide RC-4424, "Completing the Tax Return Where Registration of a Charity is Revoked", are also attached for your information.

Also, the Charity will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (the "ETA"), effective on the date of revocation. As a result, it may be subject to obligations and entitlements under the ETA that apply to organizations other than charities. The relevant ETA provisions are attached in Appendix "C". If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

Furthermore, I wish to advise you that pursuant to subsection 150(1) of the ITA, a return of income for each taxation year in the case of a corporation (other than a corporation that was a registered charity throughout the year) shall without notice or demand therefore, be filed with the Minister in prescribed form containing prescribed information.

Yours sincerely,



Elizabeth Tromp
Director General
Charities Directorate

Attachments

- Our letter dated July 26, 2006
- Your letter dated October 31, 2006
- Appendix "A", Our comments on your letter of October 31, 2006
- Appendix "B", Relevant Provisions of the *Income Tax Act*;
- Appendix "C", Relevant Provisions of the *Excise Tax Act*;
- Form T-2046, *Tax Return Where Registration of a Charity is Revoked*;
- Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*.



Canada
Revenue Agency

Agence
du revenu du Canada

BY REGISTERED MAIL

July 26, 2006

Envision Global Charity
15 - 280 Edward St
St Thomas, Ont
N5P 4C2

File # 3020619
BN 865796916 RR0004

Attn.:

Dear Sirs:

RE: AUDIT OF ENVISION GLOBAL CHARITY

This letter is further to the audit of the books and records of Envision Global Charity (hereinafter "the Charity") by Canada Revenue Agency (hereinafter "CRA"). The audit relates to the operations of the Charity for the fiscal periods ended December 31, 2002, December 31, 2003 and December 31, 2004.

CRA has the following concerns with respect to the operation of the Charity: There were major discrepancies between the information provided in the Charity's Form T2050, Application To Register A Charity Under The Income Tax Act, and the actual operation of the Charity. These discrepancies are as follows:

- a) The seven stated "Activities" do not appear to have even been attempted, let alone accomplished. In fact, the only charitable activity carried out over the course of 2002, 2003, 2004 was one shipment of equipment and supplies to Cuba.
- b) The Charity stated that the three directors at the time of application (Hersey, Berry & Riopelle) deal at arm's length. This does not appear to be the case, as all three directors are past associates in business(es) involving moving money to Cuba, and all have shared the same business address at some point in time.
- c) Since the time of application / registration, Riopelle has been expelled as a director, while Simpson and Shields became replacement directors. As above, all directors have direct business associations with each other.

London Tax Services Office
P.O. Box 5548
451 Talbot Street
London, Ontario N6A 4R3

Bureau des services fiscaux de London
C.P. 5548
451, rue Talbot
London, Ontario N6A 4R3

Tel/Tél: (519) 457-4436
Fax: (519) 640-7497
Internet: www.ccta-airc.gc.ca

Canada

d) Paragraph 7.03 e) of the Charity's General Operating By-Law No. 1 (By-Law) states that no director can "...be an undischarged bankrupt or become one at any time during his term as Director". Director Michael Hersey filed an assignment in bankruptcy in September 2003, and was discharged in May 2005. In an attempt to show compliance with paragraph 7.03 e) of the By-Law, the Charity appears to have retroactively constructed an Officer's Register and Director's Register showing Michael Hersey retiring as an officer and director 15Sep03, and being re-instated 07Jun05. However, during his period of being an undischarged bankrupt, Hersey was active in the following officer / director duties:

- a) Approving expense invoices that were submitted to the Charity
- b) Signing cheques to pay these same expense invoices

e) Director Michael Hersey attempted to mislead the CRA auditor regarding significant expenses paid to a "consultant" of the Charity. Hersey repeatedly stated ignorance to the ownership and operation of this consulting corporation, when it is documented that he is an active and authorized signing officer of said corporation.

The results of this audit indicate that the Charity appears to have contravened certain provisions of the *Income Tax Act* (hereinafter the "Act") or its Regulations. In order for a registered charity to retain its registration, it is required to comply with the provisions of the Act applicable to registered charities. If these provisions are not complied with, the Minister may revoke the Charity's registration in the manner described in section 168 of the Act. The balance of this letter describes how CRA considers that the Charity contravenes the Act.

1. CHARITABLE ACTIVITIES

The Charity is registered as a charitable organization. Pursuant to subsection 149.1(1) of the Act, charitable organization means an organization "...all the resources of which are devoted to charitable activities".

The Act permits a registered charity to carry out its charitable purposes, both inside and outside Canada, in only two ways: --

- It can make gifts to other organizations that are qualified donees as set out in the *Act*. Qualified donees include Canadian registered charities, certain universities outside Canada as listed in Schedule VIII of the Regulations to the *Act*, the United Nations and its agencies, and a few foreign charities to which Her Majesty in right of Canada has made a gift during the taxpayer's taxation year, or the 12 months immediately preceding that taxation year; or
- It can carry on its own charitable activities. 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 Canadian charity is an active and controlling participant in a program or project that directly achieves a charitable purpose.

A registered charity can also carry out its charitable activities through intermediaries such as an agent, a contractor or any other body, provided it can clearly demonstrate that the activities to which its resources are applied are under the Charity's direct, effectual and constant direction and control.

We refer to the comments of the court in *The Canadian Committee for the Tel Aviv Foundation vs. Her Majesty the Queen*¹:

"Pursuant to subsection 149.1 (1) of the [Income Tax 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. In this case, the Minister's main reasons for revocation are that the Committee could not demonstrate, through documentary evidence, that it exercised a sufficient degree of control over the use of its funds by its agent in Tel Aviv and the Committee did not keep proper books and records of activities carried on by its agent..."

"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".

The Charity failed to demonstrate that it exercises the necessary degree of direction and control over its activities in Cuba. Specifically:

- a) Any agent that the Charity appoints through an Agency Agreement is required to keep separate financial records in the country in which he/she operates. Copies of these records must be regularly forwarded to the Charity. The agent(s)' records must include specific details as to the activities he/she is carrying out.
No information has been provided by the Charity to show that any such records exist.
- b) It appears that the Charity has had three different agents over the course of 2002, 2003 and 2004. However, the Charity has only one Agency Agreement on file with the CRA (submitted at the time of application). The Charity has neglected to provide the required updates and documentation to the CRA with respect to each agent.
- c) It has been stated repeatedly throughout official Charity documents and correspondence that the agents are either official members of the Cuban government or the Canadian government. Audit findings reveal that all such statements are false.
- d) These agents' Agency Agreement states that "The Charity will deliver into the care and control of the Agent" equipment and supplies, which are to be made available to the Cuban general public as directed by the Charity.
Only one shipment was sent to Cuba over the course of 2002, 2003 and 2004. This shipment was sent in 2003. Documentation shows the Charity instructed "Grupo Regina" to receive this shipment. Other documentation shows that the Charity has partnered with "...Group REGINA S.A., which takes charge of the commercial operation of these products as well as of the handling and logistics of these donations...." There is no evidence that any of these agents ever performed agent duties relating to charitable activities of the Charity, i.e. took "care and control..." of any equipment and/or supplies.
- e) The Charity continued to pay at least one of the three agents on a regular basis over the course of 2002, 2003 and 2004 even though only one shipment was made to Cuba in

¹ 2002 FCA 72 (FCA) at paragraphs 30 and 40

2003. No documentation exists to show these agents ever performed work on behalf of the Charity,

Under paragraph 149.1(2) of the Act, the Minister, may by registered mail give notice to Envision Global Charity that he proposes to revoke its registration because it has failed as described in paragraph 168(1)(b) of the Act to comply with the requirements of the Act related to its registration as such.

2. BOOKS AND RECORDS:

Section 230(2) of the *Act* requires every registered charity to maintain adequate records and books of account at an address in Canada recorded with the Minister. The purpose of this requirement is to enable the charity to accurately provide CRA with the information required by the *Act* as well as enable CRA to verify the accuracy of reported information through the conducting of audits.

A charity is not meeting its requirement to maintain adequate books and records if it fails to exercise due care with respect to ensuring the accuracy thereof. It was found during the audit that the Charity's books and records were inadequate in the following areas:

(1) There are major discrepancies between the information provided to the Charity's lawyer Carter & Associates, a copy of which was forwarded to Charities Directorate, and the actual operation of the Charity. The Charity stated the following:

RE: donation of used medical / dental equipment:

- a) Two separate and independent appraisals are conducted on donated equipment. Donation receipts are issued based on the lower of the two appraisals.
- b) The Charity has signed an Agency Agreement with the Cuban government.

RE: donation of new medical / dental equipment:

- c) The Charity does not issue charitable donation receipts for any such items.

During the audit, it was found that a), b), and c) are false statements.

Further to the above statements, the Charity informed the lawyer that it was not involved with any companies in violation of British Columbia Securities Commission practices. However, the Charity's directors failed to inform the lawyer (or the Charities Directorate) of involvement in companies in violation of Ontario Securities Commission practices.

(2) The Charity has been claiming expenses of others. These include expenses of neighbouring businesses and the directors.

(3) There were missing donation receipts.

- a) The following receipts were missing for 2003:

- 2003-0034, 2003-0035, and 2003-0055

- b) The following receipts were missing for 2004:

- 2004-0061, 2004-0063, 2004-0076, 2004-0078, and 2004-0088

Regarding the missing receipts, the Charity stated they were "voided" due to errors in preparation. The Charity failed to provide the voided receipts to substantiate this claim.

(4) Lack of internal controls relating to Official Donation Receipts:

- a. Each receipt must bear its own serial number that cannot be modified. As the Charity creates its own receipts using Word, serial numbers can be modified, thereby allowing multiple receipts to be issued with the same serial number
- b. As the Charity creates its own receipts using Word, information on duplicate receipts can easily be modified, thereby jeopardizing the integrity of data on said receipts.

Under paragraph 149.1(2) of the Act, the Minister, may by registered mail give notice to Envision Global Charity that he proposes to revoke its registration because it has failed as described in paragraph 168(1)(e) of the Act to comply with or contravenes any of sections 230 to 231.5.

3. T3010 INFORMATION RETURNS

There are major discrepancies between the information outlined in the Charity's 2003 and 2004 Form T3010A, Registered Charity Information Return, and the actual operation of the Charity. These discrepancies are as follows:

- a) The Charity reported that the two full time employees were paid less than \$40,000 per year. Audit findings show that these full time employees received far in excess of \$40,000.
- b) The Charity reported that none of directors received any compensation. Audit findings show that all four directors received compensation either directly or indirectly. See "5. Benefits to Directors" below for further information.
- c) The amounts reported on Lines 120 / 5000 "Total Charitable Program Expenditures" of the T3010 / T3010A are both inaccurate and grossly overstated. See "4. Disbursement Quota" below for further information.
- d) For 2003 & 2004, there were considerable unexplained discrepancies between the total of all duplicate receipts and the amounts reported on Line 4500 (Total tax-receipted gifts) of the T3010As.

Under paragraph 149.1(2) of the Act, the Minister, may by registered mail give notice to Envision Global Charity that he proposes to revoke its registration because it has failed as described in paragraph 168(1)(c) of the Act to file an information return as and when required under this Act or a Regulation.

3. OFFICIAL DONATION RECEIPTS:

The audit indicates that the Charity did not comply with the requirements of Regulation 3501 of the Act regarding official donation receipts (receipts) as follows:

- (1) Duplicate receipts did not contain the signature of an authorized person
- (2) Receipts for single cash donations lacked the date the cash was received

(3) All receipts for gifts-in-kind lacked the following required information:

- A description of the item(s) donated
- The actual date of donation
- The name and address of the appraiser of the property if an appraisal is done

CRA strongly recommends that for every gift-in-kind (gift) donation greater than \$1,000, a certified appraiser should be used to establish the fair market value of said gift.

The Charity never approached an appraiser to determine the value of any gifts.

The values listed by the Charity for gifts of capital equipment were round numbers and appeared grossly overstated. It also appeared that the values listed by the Charity for gifts of supplies, drugs and medicine were all determined based on retail cost.

Additionally, there is a disconnect between both the values and nature of goods reportedly shipped to Cuba, and the goods actually shipped to and/or received in Cuba as follows:

- The Charity's official donation receipts included significant amounts for drugs and medicine
- The Charity's documentation for the 2003 shipment to Cuba in the amount of \$445,188 USD does not support the statement that drugs or medicine were actually shipped.

It would appear that either:

- Drugs and medicine were donated, official donation receipts were issued for these donations, but the drugs and medicine were never used for charitable purposes; or
- The drugs and medicine were never donated, and the official donation receipts were issued fraudulently

Under paragraph 149.1(2) of the Act, the Minister, may by registered mail give notice to Envision Global Charity that he proposes to revoke its registration because it issued a receipt for a gift or donation otherwise than in accordance with paragraph 168(1)(d) of the Act and its regulations, or, that contains false information.

4. DISBURSEMENT QUOTA

In order to maintain its status as a charitable organization within the meaning of subsection 149.1(1) of the *Act*, a registered charity must, in any taxation year, expend amounts on charitable activities that are equal to at least 80% of the aggregate amounts for which it issued donation receipts in its immediately preceding taxation year. The Charity has not met this requirement based on the following information:

(1) The Charity's charitable programs is the donating of medical equipment and supplies to Cuba.

The Charity's Statement of Income and Expenses shows the following as being Donations disbursed to Cuba:

- 2002 - \$ 798,018
- 2003 - \$ 704,234
- 2004 - \$ 1,120,870

The Charity's T3010 / T30101A show the "Total Charitable Program Expenditures" as:

- 2002 - \$ 798,018
- 2003 - \$ 704,234
- 2004 - \$ 1,120,870

It would therefore appear that shipments were sent to Cuba in each of the three years at values stated above. However, the Charity was only able to show that one shipment was made to Cuba during this three-year period, and that was in 2003. Based on information provided by the Charity, the value of this 2003 shipment was only \$624,153 (\$445,188 USD * 1.402).

The Charity did not meet its disbursement quota in 2003 and 2004. The Charity had a disbursement shortfall at the end of 2004, calculated as follows:

▪ 80% of 2002 Total Tax-Received Gifts	\$ 726,554
▪ 2003 Donations Disbursed (shipments to Cuba)	<u>\$ (624,153)</u>
2003 Disbursement Shortfall	\$102,401
▪ 80% of 2003 Total Tax-Received Gifts	\$ 809,283
▪ 2004 Donations Disbursed (shipments to Cuba)	<u>\$ (0)</u>
2004 Disbursement Shortfall	\$809,283
Total Disbursement Shortfall As At 31Dec04	\$911,684

(2) Further to the above disbursement shortfall, there exists a discrepancy between the amount reportedly sent to Cuba at \$624,153 per the Charity, and the amount actually received in Cuba. This has two implications as follows:

- a) It raises suspicion as to the amount of medical equipment and supplies that were actually being used to provide relief from poverty.
 - The Charity reported that \$445,188 USD worth of medical equipment and supplies were sent to Cuba in 2003.
 - The Group REGINA S.A. who handles the equipment and supplies reported that the value of the shipment had an estimated value of \$400,0000 USD. Group REGINA S.A. stated that the shipment is destined to hospitals Hermanos Amejeiras.
 - Hospitals Hermanos Amejeiras states that the equipment and supplies have a value of \$319,279 USD.
- b) This decreased value of medical equipment and supplies being used to provide relief from poverty will further reduce the disbursement shortfall to over \$1,088,000 Cdn. as at 31Dec04

Under paragraph 149.1(2)(b) of the Act, the Minister, may by registered mail give notice to Envision Global Charity that he proposes to revoke its registration in the manner described in section 168 because it has failed to meet its disbursement quota in any taxation year.

5. LACK OF INTERNAL CONTROLS/BENEFITS TO DIRECTORS

Paragraph 149.1(1)(a) of the Act defines a charitable organization, in part, as an organization all the resources of which are devoted to charitable activities carried on by the organization itself. The directors of the Charity are required to have in place controls which ensure the safety of the Charity's assets. Envision Global Charity lacks such controls. The board of directors did not ensure that there were proper controls in place to safeguard the Charity's resources and that all its resources were devoted to charitable activities.

This is evidenced as follows:

- a) Directors submit invoices to the Charity for services rendered
- b) These same directors approve their own invoices on behalf of the Charity
- c) These same directors sign the cheques to pay their own invoices

Based on the above practice, and the lack of an independent auditor, the directors are able to pay themselves any amount without recourse.

As stated in the Charity's Minute Book, the directors have not been diligent in their duties with respect to corporate affairs as outlined in the By-Law.

Additionally, paragraph 149.1(1)(b) of the Act defines a charitable organization, in part, as an organization, 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 settler thereof.

- 1) All four current directors of the Charity received remuneration (directly or indirectly) which appears excessive compared to the charitable activities performed by the Charity. Over the course of 2002, 2003 and 2004, only one shipment was sent to Cuba. During this time however, the directors (or corporations owned by directors) were paid on a regular basis amounts totalling \$345,000. This is in direct contradiction to clause 14.01 of the Charity's By-Law which states. directors "...shall serve as such without remuneration and no Member of the Board shall directly or indirectly receive any profit from his or her position as such, nor shall any Member of the Board receive any direct or indirect remuneration from the Corporation, except where specifically permitted by law, provided that Directors may be reimbursed for reasonable expenses incurred by them in the performance of their duties".

The position of various authorities is outlined below for your reference.

- a) The Ontario and other Common Law Courts have ruled that it is unacceptable to compensate the members of the board of directors of a charity even for services rendered.
- b) Canadian Provinces have divergent opinions regarding compensation of directors. Certain provinces allow fair and reasonable compensation for services rendered, while other provinces are more strict in this regard. For Example, Ontario will not issue Letters Patent to a charity whose general regulations permit directors to be compensated.
- c) The Department of National Revenue is of the opinion that a charity can compensate a director for services rendered as long as the compensation is fair and reasonable. Compensation that is disproportionate to the services rendered would contravene subparagraph 149.1(1)(b) of the *Income Tax Act*.

The common theme amongst these authorities is that remuneration paid to directors must be reasonable under the circumstances. The charitable activities performed by the Charity in 2002, 2003, and 2004 would not appear to warrant payment to directors of \$345,000. This amount is therefore not reasonable under the circumstances.

The apparent misuse of the Charity's funds exposes important lapses in the Charity's direction and control over its resources.

Under paragraph 149.1(2) of the Act, the Minister, may by registered mail give notice to Envision Global Charity that he proposes to revoke its registration because it has failed as described in paragraph 168(1)(b) of the Act to comply with the requirements of the Act related to its registration as such.

CONCLUSION

For each of the reasons indicated above, it appears to us that there are grounds for revocation of the Charity's status as a registered charity. The consequences to a registered charity of losing its registration include:

1. the loss of its tax exempt status as a registered charity which means that the charity would become a taxable entity under Part I of the Income Tax Act unless, in the opinion of the Director of the applicable Tax Services Office, it qualifies as a non-profit organization as described in paragraph 149(1)(l) of the Act;
2. the loss of the right to issue official donation receipts for income tax purposes which means that gifts made to the Charity would not be allowable as a tax credit to individual donors as provided at subsection 118.1(3) of the Act or as a deduction allowable to corporate donors under paragraph 110.1(1)(a) of the Act; and
3. the possibility of a tax payable under Part V, subsection 188(1) of the Act.
4. the loss of the Charity's status as a charity for purposes of subsection 123(1) of the Excise Tax Act (hereinafter, the ETA), which means that
 - its supplies will no longer be exempt from the Goods and Services Tax/Harmonized Sales Tax (hereinafter, the "GST/HST") under Part V.1 of Schedule V to the ETA;
 - it may, if not currently, have to register for GST/HST purposes under subsection 240(1) of the ETA;
 - it may no longer calculate its net tax for GST/HST purposes using the calculation method set out under subsection 225.1(2) of the ETA;
 - it will no longer qualify for the public service body rebate under subsection 259(3) of the ETA as a charity; and
 - it may be subject to obligations and entitlements under the ETA that apply to organizations other than charities.

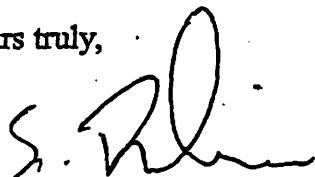
For your reference, we have attached a copy of the relevant provisions of the Income Tax Act (Appendix "A") concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation. The relevant ETA provisions are also attached (Appendix "B"). If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

If you do not agree with the facts outlined above, or if you wish to present any reasons why the Minister should not revoke the registration of Envision Global Charity in accordance with subsection 168(2) of the Act, you are invited to submit your representations **within 30 days from the date of this letter**. Subsequent to this date, the Director General of the Charities Directorate will decide whether or not to proceed with the issuance of a Notice of intention to revoke registration of the charity in the manner described in section 168(1) and (2) of the Act.

If you appoint a third party to represent you in this matter, please send us a written authorization naming that individual and explicitly authorizing that individual to discuss the Charity's file with us.

If you require further information, clarification, or assistance, please contact the undersigned at Canada Revenue Agency at the telephone number noted below.

Yours truly,



Scott Robinson
Verification and Enforcement Division
London Tax Services Office
Tel: (519) 457-4436
Fax: (519) 640-7497

Enclosures

- Appendix "A", Relevant provisions of the Act
- Appendix "B", Relevant provisions of the Excise Tax Act

Envision Global Charity

Charity Tax Audit for the fiscal period from May 23, 2002 to December 31, 2004

COMMENTS ON REPRESENTATIONS OF OCTOBER 31, 2006

Charitable Activities

The audit conducted by the Canada Revenue Agency (the "CRA") had identified that Global Envision Charity (the "Charity") had not maintained adequate documentation to support the total reported shipments of goods or the direction and control over the actual goods transferred to its Agent in Cuba. The Charity reported total goods disbursed of \$2,623,122 for fiscal periods ending 2002 to 2004. The Charity has Agency Agreements with various agents in Cuba to care and control various medical, dental and public service equipment and supplies, health care products, supplies, nutritional and health restoring supplements including vitamins, minerals and herbal complexes.

The representations of October 31, 2006 state "[...] medical equipment and supplies were shipped to Cuba and received by various health professionals and that the gifts in kind which were receipted by the Charity were in fact received by the Charity." Based upon the documentation received, the Charity issued official donation receipts for drugs, medicines and medical equipment however only medical equipment was contained in the 2003 shipment to Cuba. The Charity provided documentation during the audit to substantiate one shipment of medical supplies in 2003 with an estimated Canadian value of \$624,153. The Charity has not provided additional documentation to substantiate the remaining \$1,998,969 allegedly distributed outside Canada nor has it provided documentation to prove that the Charity distributed the drugs and medicines it received.

The Charity provided documentation to support one shipment of goods to Cuba in 2003 where the goods were shipped to Grupo Regina, to the attention of Mr. Miguel Navarro Perez. As per the documentation supplied, Grupo Regina took charge of the commercial operations, handling and logistics of the goods yet no documentation was provided to substantiate how the goods were distributed, to whom and how the goods were used to achieve the Charity's objects. The Charity did not provide an Agency Agreement or other documentation to support its relationship with Grupo Regina.

The Charity had Agreements with three other Agents, however the terms of the agreements were not implemented completely as the Agents failed to provide the documentation necessary to substantiate the Agents' activities. The Charity continued to pay at least one of its Agents on a regular basis during the period of 2002 to 2004 yet failed to provide details on the Agents' work for the Charity.

The representations failed to provide assurance that the Agents fulfilled their duties and that the Charity maintained direction and control over the goods upon delivery to Cuba. The representations also state that the Charity employed Grupo Regina to assist with the first shipment made which contradicts the Charity's previous claims that drugs, medicines and medical equipment were disbursed outside of Canada commencing in 2002.

Books & Records/Official Donation Receipts

The audit revealed that the Charity's books and records were inadequate as the Charity did not maintain the documentation necessary to support the value of the gifts in kind received and it claimed expenses incurred by others as charitable. Our review of the documentation provided indicates that the official donation receipts issued to acknowledge the receipt of gifts in kind were based on donor estimates and comparisons to current retail value of new equipment.

In correspondence prepared by Mr. Terrance S. Carter of Carter & Associates on February 17, 2004 on behalf of the Charity, Mr. Carter indicates "[...] *Envision obtains two separate independent appraisals on the value of the donated equipment.* [...] *Charitable donation receipts are issued based upon the lower of the two appraisals obtained by Envision.*" The representations prepared by Ms. Karen J. Cooper of Carter & Associates state "[...] *the Charity obtained values for many of the products from online sources.*" A statement that contradicts the Charity's previous assertions that appraisals were obtained for all donated gifts in kind. The representations have not satisfied our concerns that official donation receipts were issued based on current retail value of medical and dental equipment given that the Charity solicits donations of used medical and dental equipment. Clearly, used equipment does not possess the same value as new, unused equipment.

We acknowledge the Charity's corrective actions to be taken to resolve the concerns noted regarding the preparing of official donation receipts. The representations did not address our concerns that the Charity was claiming expenses incurred by others as charitable expenses.

Internal Controls / Director Benefits

Paragraph 149.1(1)(b) of the ITA defines a charitable organization, in part, as an organization, no party of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof. Our audit revealed that four of the current directors of the Charity received remuneration directly and indirectly, which we have deemed excessive given the charitable activities performed by the Charity. During the 2002 to 2004 period, the directors or corporations owned by the directors were paid, on a regular basis, amounts totalling \$345,000. This is in direct contradiction to clause 14.01 of the Charity's By-Laws which states that directors "[...] shall serve as such without

remuneration and no Member of the Board shall directly or indirectly receive any direct or indirect remuneration from the Corporation, except where specifically permitted by law, provided that the Directors may be reimbursed for reasonable expenses incurred by them in the performance of their duties." Additionally, the Charity lacked the proper controls necessary to safeguard the Charity's resources as directors submitted invoices for services rendered, approved their own invoices and signed the cheques to pay their own invoices submitted.

The representations provided indicate that Mr. Mike Hersey and Ms. Marlene Berry, two of the directors receiving regular amounts, have resigned as directors of the Charity effective August 1, 2006. The representations also indicate that an arm's length third party director will be appointed to ensure appropriate control of remuneration and expenses paid to Mr. Hersey and Ms. Berry. The comments provided fail to indicate if the Charity will cease remuneration payments to the remaining two directors receiving income from the Charity. The representations do not offer any justification for the remuneration paid to the directors nor does it provide assurance that the amounts paid were commensurate to the services provided.

Disbursement Quota

In order to maintain its status as a registered charitable organization within the meaning of subsection 149.1(1) of the ITA, a registered charity must, in any taxation year, expend amounts on charitable activities that are equal to at least 80% of the aggregate amounts for which it issued donation receipts in its immediately preceding taxation year. Our audit revealed that while the Charity reported charitable expenditures in fiscal periods ending 2002 to 2004, we were able to vouch only one charitable expenditure for fiscal period ending 2003 and at an amount which was considerably less than the amount reported on the Registered Charity Information Return (T-3010A).

The representation received acknowledges that a disbursement quota shortfall exists and states that the Charity has taken significant steps to remedy this shortfall by shipping charitable property to Cuba in 2005 and 2006. We acknowledge that the Charity has taken steps to remedy its disbursement quota shortfall however, given that the Charity was not able to substantiate its total charitable disbursements in prior years, we cannot accept that the Charity will remedy its disbursement quota shortfall by shipping additional charitable property to Cuba. The Charity has not provided any representations to substantiate that the amounts claimed to be shipped in 2002 and 2004 or to substantiate the discrepancy calculated between the amounts reported in 2003 and the 2003 vouched shipping documents.