



**REGISTERED MAIL**

Faith Full Gospel Tabernacle

Attention: Felicia Cameron

BN: 89628 3108

File #: 3034289

January 14, 2013

**Subject: Revocation of Registration**  
**Faith Full Gospel Tabernacle**

Dear Sir:

The purpose of this letter is to inform you that a notice revoking the registration of Faith Full Gospel Tabernacle (the Organization) was published in the *Canada Gazette* on January 12, 2013. Effective on that date, the Organization ceased to be a registered charity.

**Consequences of Revocation:**

- a) The Organization is no longer exempt from Part I Tax as a registered charity and is no longer permitted to issue official donation receipts. This means that gifts made to the Organization are no longer allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the *Income Tax 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 prescribed form T-2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the Return is enclosed. The related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, is available on our website at [www.cra-arc.gc.ca/E/pub/tg/rc4424](http://www.cra-arc.gc.ca/E/pub/tg/rc4424).

Section 188(2) of the Act stipulates that a person (other than a qualified donee) who receives an amount from the Organization is jointly and severally

liable with the Organization for the tax payable under section 188 of the Act by the Organization.

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

In accordance with *Income Tax Regulation* 5800, the Organization is required to retain its books and records, including duplicate official donation receipts, for a minimum of two years after the Organization's effective date of revocation.

Finally, we wish to 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 of National Revenue (the Minister) in the prescribed form, containing prescribed information, for each taxation year. The *Return of Income* must be filed without notice or demand.

If you have any questions or require further information or clarification, please do not hesitate to contact the undersigned at the numbers indicated below.

Yours sincerely,



Danie Huppé-Cranford  
Director  
Compliance Division  
Charities Directorate  
Telephone: 613-957-8682  
Toll free: 1-800-267-2384

Enclosures

- Copy of the Return (form T-2046)
- Canada Gazette publication

c.c.: Carol Martin





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**REGISTERED MAIL**

Faith Full Gospel Tabernacle

[REDACTED]

BN: 896283108RR0001

Attention: Felicia Cameron

File #: 3034289

**Subject: Notice of Intention to Revoke  
Faith Full Gospel Tabernacle**

Dear Mrs. Cameron:

I am writing further to our letter dated April 12, 2012 (copy enclosed), in which you were invited to submit representations as to why the registration of Faith Full Gospel Tabernacle (the Organization) should not be revoked in accordance with subsection 168(1) of the *Income Tax Act*.

We have now reviewed and considered your written response dated April 20, 2012, and received July 11, 2012 (copy enclosed). However, notwithstanding your reply, our concerns with respect to the Organization's non-compliance with the requirements of the Act for registration as a charity have not been alleviated. Our position is fully described in Appendix "A" attached.

**Conclusion:**

The Canada Revenue Agency's (CRA) audit has revealed that the Organization is not complying with the requirements set out in the *Income Tax Act*. In particular, it was found that the Organization failed to maintain adequate books and records to support its reported revenue and expenditures, as well as to support its charitable activities. Additionally, the Organization failed to disclose all of the donation receipts it issued. The CRA obtained donation receipts from sources totaling \$293,962 that were not included in the books and records of the Organization for the fiscal period 2008. The Organization was questioned on the origin of these receipts and denied issuing any of the receipts. A forensic analysis of these receipts concluded that the signatures on the receipts matched signatures on letters of attestation provided by the Organization. For all of these reasons, and for each reason alone, it is the position of the CRA that the Organization no longer meets the requirements necessary for charitable registration and should be revoked in the manner described in subsection 168(1) of the Act.

Consequently, for each of the reasons mentioned in our letter dated April 12, 2012, I wish to advise you that, pursuant to subsection 168(1) of the Act, I propose to revoke the registration of the Organization. By virtue of subsection 168(2) of

**Canada**

Place de Ville, Tower A  
320 Queen Street, 13th Floor R350 E (08)  
Ottawa ON K1A 0L5

the Act, revocation will be effective on the date of publication of the following notice in the *Canada Gazette*:

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

<b>Business Number</b>	<b>Name</b>
896283108RR0001	Faith Full Gospel Tabernacle Mississauga ON

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

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

A copy of the revocation notice, described above, will be published in the *Canada Gazette* after the expiration of 30 days from the date this letter was mailed. The Organization's registration will be revoked on the date of publication, unless the CRA receives an order, **within the next 30 days**, from the Federal Court of Appeal issued under paragraph 168(2)(b) of the Act extending that period.

Please note that the Organization must obtain a stay to suspend the revocation process, notwithstanding the fact that it may have filed a Notice of Objection.

#### **Consequences of Revocation**

As of the effective date of revocation:

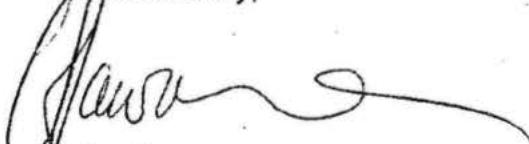
- a) the Organization will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or 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 prescribed form T-2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the relevant provisions of the Act concerning revocation of registration, the tax applicable to revoked charities, and appeals against revocation, can be found in Appendix "B", attached. Form T-2046 and the related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, are available on our website at [www.cra-arc.gc.ca/charities](http://www.cra-arc.gc.ca/charities):

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

Finally, I wish to 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,



Cathy Hawara  
Director General  
Charities Directorate

Attachments:

- CRA letter dated April 12, 2012
- The Organization's response of April 20, 2012;
- Appendix "A", Comments on Representations of April 20, 2012; and
- Appendix "B" Relevant Provisions of the Act.

c.c.: Carol Martin





REGISTERED MAIL

Faith Full Gospel Tabernacle  
[REDACTED]

BN: 896283108RR0001

Attention: Felicia Cameron

File #:3034289

April 12, 2012

**Subject: Audit of Faith Full Gospel Tabernacle**

Dear Mrs. Cameron:

This letter is further to the audit of the books and records of the Faith Full Gospel Tabernacle (the Organization) conducted by the Canada Revenue Agency (the CRA). The audit related to the operations of the Organization for the period from January 1, 2007 to December 31, 2008.

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:		
	Issue	Reference
1.	Failure to disclose all donation receipts	149.1(2), 168(1)(d), Regulation 3501
2.	Incomplete Books and Records	149.1(2), 230(2), 230(4), 231.1(1), 168(1)(b), 168(1)(e)
3.	Charitable Purposes & Activities	149.1(1), 168(1)(b)
4.	Charity Information Return (T3010)	149.1(2), 149.1(14), 168(1)(c)

The purpose of this letter is to describe the areas of non-compliance identified by the CRA during the course of the audit as they relate to the legislative and common law requirements applicable to registered charities, and to provide the Organization with the opportunity to make additional representations or present additional information. Registered charities must comply with the law, failing which the Organization's registered status may be revoked in the manner described in section 168 of the Act.

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

**Identified Areas of Non-Compliance:**

**1. Failure to disclose all donation receipts**

**Legislation**

The law provides various requirements with respect to the issuing of official donation receipts by registered charities. These requirements are contained in Regulations 3500 and 3501 of the ITA and are described in some detail in Interpretation Bulletin IT-110R3 *Gifts and Official Donation Receipts*. The following is taken from the ITA

*3501(1) Every donation receipt issued by a registered organization shall contain...*

*(i) the signature, ..., of a responsible individual who has been authorized by the organization to acknowledge donations*

**Audit Findings**

During the audit it was found that the Organization provided false information and had issued additional donation receipts in excess of the Official Donation Receipts listed on the filed T3010 Information Return.

During the audit, donation receipts from Faith Full Gospel Tabernacle that had been filed by taxpayers with their T1 Returns and recovered by our tax centres were brought to the attention of Mr. and Mrs. Cameron. CRA wanted to verify who issued the receipts and although they appeared authentic, the total of these receipts (\$293,962) far exceeded what was reported on the T3010 Information Return (\$24,465). When Mrs. Cameron was questioned about these receipts during the initial interview and subsequently, Mr. and Mrs. Cameron were questioned at a follow up interview, they explained that this Organization did not issue those additional receipts, the names were not recognized and that they were not aware of who issued these receipts. They stated that the signatures on the donation receipts were not theirs. During the follow up interview with Mr. and Mrs. Cameron, we requested a written attestation acknowledging that the only donation receipts that had been issued by them were included on the attached list.

A forensic analysis of the handwriting between the donation receipts and the signed attestations was completed and it was determined that the signatures on the donation receipts in possession of the CRA that Mr. Cameron had claimed wasn't his was in fact the signature of Mr. Cameron. The CRA only has in our possession a

small sample of what could have been possibly been issued by the Organization and not reported on the T3010 Information Return.

Also, the official donation receipts issued by the Organization did not comply with the requirements of Regulation 3501 of the Act and IT-110R3 as follows:

- Does not have a unique serial number, are not all accounted for and are not issued in a reasonable serial manner.
- Does not contain the statement that it is an *official receipt for income tax purposes*
- The Organization's registration number as recorded with CRA is incorrect. The Organization has the # 89623 3108 and it should be 89628 3108
- The date is on the receipt is printed on at the time of creation on a printing press as a part of the template when it should be printed on when the receipt was actually issued if or the donation was made
- The full address of the donor was missing in several cases

Conclusion

Under subsection 149.1(2) of the ITA, the Minister may revoke the registration of the Charity, because it issued a receipt for a gift or donation otherwise than in accordance with the ITA as described at paragraph 168(1)(d) of the ITA.

**2. Books & Records:**

Legislation:

Pursuant to subsection 230(2) of the Act, every registered charity must keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing (a) information in such form as will enable the Minister to determine whether there are any grounds for revocation of its registration under the Act; (b) a duplicate of each receipt containing prescribed information for a donation received by it; and (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under the Act.

Audit Findings:

The audit had revealed that the Organization did not maintain adequate books and records to permit the verification of reported revenue and expenditures. In the course of the audit, the following deficiencies were noted:

- The Organization reported issuing donation receipts for the following amounts:

	<u>2007</u>	<u>2008</u>
Total Donation Receipts per books and records	\$23,250	\$34,700
Amount Reported on T3010 – Line 4500	<u>\$25,269</u>	<u>\$24,465</u>
Discrepancy	<u>(\$2,019)</u>	<u>\$10,235</u>
Additional Donation Receipts recovered from Tax Centers		<u>\$293,962*</u>
Total Donation Receipts after Review (\$293,962 + \$34,700)		<u>\$328,662</u>

**Only 7.4% of the Total Donation Receipts issued were disclosed by the Organization on their T3010.**

\* This amount was not identified in the Books and Records of the Organization. This is not an all inclusive amount as this amount only includes the donation receipts we have in our possession that were recovered through the tax centers.

The Organization did not keep complete books and records to adequately determine the amount of donations actually received. An analysis of the bank account indicated that of the donation receipts purportedly issued; \$2,710 was deposited in 2008 and \$10,010 in 2007. There was no detail provided to adequately assess where these funds originated from.

See above for complete description of concerns relating to the Official Donation Receipts.

- The Organization had reported expenditures of \$31,046 in 2008 and \$22,174 in 2007. In 2008, the total cash expenditures were \$16,637 and cheques of \$1,448 for a total of \$18,085. This results in a discrepancy and lack of documentation of \$12,961. Also, of the cash expenditures identified in the books and records, it cannot be determined if all of the expenditures are charitable in nature. The following cash expenses that do not appear charitable and although they are not material, it is a clear indication as to the lack of proper books and records:
  - 1) Reimbursement – includes prescription drugs and does not say to who the amount is reimbursed for a total of \$862,
  - 2) Mobile Phone – to Mrs. Felicia Cameron \$160,
  - 3) Credit Cards – to Canadian Tire and HBC, no indication why these amounts are paid to these cards totalling \$482,
  - 4) Mission – two week trip to Kingston, Jamaica for Mr. and Mrs. Cameron. This Organization is not registered to operate outside of Canada and appears personal in nature. Trip cost was \$600 per receipts

- 5) Honorarium – the monthly amounts were written on a piece of paper with the name of Mr. Carlton Cameron. It cannot be determined if these were paid and what they were paid for. The total purportedly paid was \$11,900,
- 6) PO Box – the receipt was for \$135 but Mrs. Cameron was reimbursed \$180
- 7) [REDACTED] – taxi receipts totalling \$112. No indication what this expense relates to or who this individual is,
- 8) Gas receipts – no description as to what these gas receipts were incurred. The total of the receipts was \$930.

Very little documentation was provided to support the reported expenditures, and much of the documentation provided was considered inadequate.

The books and records did not include a minute book or any other documentation to support the direction and authority that the Organization was operating under.

Conclusion:

The audit revealed that the books and records maintained by the Organization are not adequate to meet the requirements under subsection 230(2) of the Act.

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the Organization, because it has failed to comply with or contravened any section of 230 to 230.5 as described at paragraph 168(1)(b) and 168(1)(e) of the Act.

### **3. Charitable Purposes and Activities**

Legislation:

The Organization is registered as a charitable organization. In order to satisfy the definition of 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".

To qualify for registration as a charity under the Act, an organization must be established for charitable purposes that oblige it to devote all its resources to its own charitable activities. This is a two-part test. First, the purposes it pursues must be wholly charitable and second, the activities that a charity undertakes on a day-to-day basis must support its charitable purposes in a manner consistent with charitable law. Charitable purposes are not defined in the Act and it is therefore necessary to refer, in this respect, to the principles of the common law governing charity. An organization that has one or more non-charitable purposes or devotes resources to activities undertaken in support of non-charitable purposes cannot be registered as a charity.

Audit Findings:

As indicated above, registered charities are required to pursue activities in furtherance of the purposes for which they are established.

The Organization was registered:

- 1) To preach and advance the teachings of the Christian faith and the Religious tenets doctrines, and observances and culture associated with Christianity,
- 2) To establish, maintain and support a house of worship with services conducted in accordance with the tenets and doctrines of the Christian faith,
- 3) To receive and maintain a fund or funds and to apply all or part of the principal income therefrom, from time to time, to charitable organizations that are also registered under the Income Tax Act (Canada).

The Organization did not provide proof of the activities purportedly undertaken to fulfill its objects. There was no documentation to support any of the expenditures reported on the information returns and no explanation was provided as to what the Organization does on a day-to-day operation.

Conclusion:

Based on the lack of documentation and tangible evidence, it does not appear the Organization has operated within the charitable mandate and thereby, the Minister may revoke the registration of the Organization, because it has failed as described at paragraph 168(1)(b) of the Act to comply with the requirements of the Act for its registration as such.

**4. Information Return (Form T3010):**

Legislation:

Pursuant to subsection 149.1(14) of the Act, every registered charity must, within six months from the end of each of its fiscal period (taxation year), without notice or demand, file a Registered Charity Information Return containing prescribed information. It is the responsibility of the charity to ensure that the information that is provided in its Return, schedules and statements, is factual and complete in every respect. A charity is not meeting its requirement to file an Information Return if it fails to exercise due care with respect to ensuring the accuracy thereof.

Audit Findings:

**Filing of Return** - The Organization did not file its T3010 within six months of its fiscal period ending as summarized below:

<u>Fiscal Period End</u>	<u>Due Date</u>	<u>Date Filed</u>
2006-12-31	2007-06-30	2007-07-09
2007-12-31	2008-06-30	2008-11-13
2008-12-31	2009-06-30	2009-12-17
**2009-12-31	2010-06-30	NOT FILED
**2010-12-31	2011-06-30	NOT FILED

\*\*Although the Fiscal Periods Ending December 31, 2009 and 2010 fall outside of the audit period, it should be noted that these returns have not been filed to date. This in itself is grounds for revocation.

**Completion of Return** - The Organization improperly completed the Information Return for the fiscal periods ending as follows:

**December 31, 2007 and December 31, 2008**

- Section D – Compensation:  
The Organization did not complete parts of this section. Sections D1-D4 did not contain information although it is indicated in Section E that honorariums were paid.
- Section E – Financial Information:  
Section E3 - The amounts reported as revenues and expenditures on the T3010 return as filed were also inaccurate and were not completely supported with documentation (see Books and Records section for specific discrepancies).

Also, there was no basis for the allocation at Lines 5000 to 5040; Total Charitable Expenditures, Total Management and Administrative Expenditures and Total Other Expenditures.

Conclusion:

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the Organization because it has failed to file an information return as and when required by subsection 149.1(14) of the Act or a Regulation as described at paragraph 168(1)(c) of the Act.

**The Organization's Options:**

- a) No Response

You may choose not to respond. In that case, the Director General of the Charities Directorate may give notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

**b) Response**

Should you choose to respond, 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; or
- giving notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

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

If you have any questions or require further information or clarification, please do not hesitate to contact the undersigned at the numbers indicated below.

Yours sincerely,

Michelle Bolta  
Audit Division  
Kitchener/Waterloo TSO

Telephone: [REDACTED]  
Facsimile: 519-585-2803  
Address: 166 Frederick Street  
Kitchener, ON N2G 4N1

cc: Carol Martin, Treasurer  
Colleen Gordon, Director/Secretary  
Norma Wade, Director



**ITR Appendix "A"**

**FAITH FULL GOSPEL TABERNACLE**

**COMMENTS ON REPRESENTATIONS OF APRIL 20, 2012**

Below please find:

- (1) A summary of the issues raised by the Canada Revenue Agency (CRA) in our letter to Faith Full Gospel Tabernacle (the Organization) of April 12, 2012;
- (2) The response provided by the Organization dated April 20, 2012; and
- (3) The CRA's conclusion.

**Issue: Failure to disclose all donation receipts**

Our audit findings indicate that the Organization has provided false information and has issued donation receipts in excess of the official donation receipts listed on the filed T3010 returns.

During the audit additional donation receipts of \$293,962 were recovered that exceeded what was reported on the T3010 Information Return (\$24,465). Although the receipts appeared authentic the Organization confirmed that the receipts did not belong to them.

A forensic analysis of the handwriting between the donation receipts and the signed attestations from the Organization was completed and it was determined that the signatures on the donation receipts in possession of the CRA and the signed attestations were the same.

Also, the official donation receipts issued by the Organization did not comply with the requirements of Regulation 3501 of the Act and IT-110R3 as follows:

- Does not have a unique serial number, are not all accounted for and are not issued in a reasonable serial manner.
- Does not contain the statement that it is an *official receipt for income tax purposes*.
- The Organization's registration number as recorded with CRA is incorrect. The Organization has the registration number 89623 3108 on its official donation receipts and it should be 89628 3108.
- The official donation receipt included a pre-printed date at time of creation when it should be the day on which or the year during which the donation was received.
- The full address of the donor was missing in several cases.

**Response:**

The Organization denied that the recovered receipts belonged to them. They noted "*All of the purported recipients of donation receipts from on behalf of the Faith Full Gospel are not known to me or Rev. Cameron or any director of the Faith Full Gospel. We can testify to this.*" They also noted that this type of fraud would be uncovered by CRA so questioned entering into this scheme. "*We are a small congregation and it would be with much bravery to attempt to defraud the CRA of over \$300,000. How could we explain going from \$25,000 to over \$200,00 in such a short time.*"

**Conclusion:**

The Forensic Analysis Report confirmed that the signatures on the donation receipts in question are the same signature provided by the Organization as part of the written attestation. There were no new additional facts or information provided to support their claims.

**Issue: Failure to Maintain Adequate Books and Records**

Our audit findings indicate that the Organization has failed to maintain adequate books and records to support the activities, income and expenses.

The Organization did not maintain books and records pursuant to subsection 230(2) of the Act as follows:

Donation receipts – The Organization only disclosed on their 2008 T3010, 7.4% (\$24,465) of the total donation receipts issued by the Organization (\$328,662).

Non-Charitable Expenditures – The Organization claimed expenses that without proper support appeared to be personal in nature.

Supporting Documentation – Adequate documentation was not maintained to support the reported expenditures.

**Response:**

The Organization noted only that the gas and taxi expenditures were charitable in nature. "*Gas receipts – are for attending church conferences/meetings and transportation to those that are in need of such services. With respect to [REDACTED] [REDACTED], this is also a legitimate expense as she did in fact conduct a conference at our church on March 21 to 23, 2008 (see attached for ease of reference).*"

**Conclusion:**

The organization provided no new information that would support the charitable nature of these expenses. The Organization maintained very poor records which failed to support their activities and financial position in the audit period. For this reason, the

CRA's position remains that the Organization has failed to meet the requirements of subsection 230(2) of the Act.

Under paragraph 168(1)(e) of the Act, the Minister may, by registered mail, give notice to the charity that Minister proposes to revoke its registration because it fails to comply with or contravenes subsection 230(2) of the Act dealing with books and records. For this reason, it appears to us there are grounds for revocation of the charitable status of the Organization.

#### **Issue: Charitable Purposes and Activities**

The Organization did not provide proof of the activities purportedly undertaken to fulfill its objects. There was no documentation to support any of the expenditures reported on the information returns and no explanation was provided as to what the Organization does on a day-to-day operation.

#### **Organization's Response:**

The Organization stated the following: *"With respect to the tenets not allowing us to do certain things. As a church we do help people out with groceries and see to assisting with transportation for worship services. As such, we will be amending the articles to reflect what we do."*

#### **Conclusion:**

The audit revealed a lack of supporting documentation to substantiate the purported activities and, as such, to ensure that the Organization fulfilled its objects. The Organization provided no new information that would enable us to verify these purported activities.

The Organization did not maintain adequate books and records as described in subsection 230(2) of the Act. This lack of records extended to include what would be considered to be activities carried on by the Organization.

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the registered charity in the manner as described at paragraph 168(1)(b) of the Act because the registered charity has failed to comply with the requirements of the Act for its registration as such.

#### **Issue: Failure to File an Information Return as Required by the Act**

The Organization has improperly completed Form T3010B, *Registered Charity Information Return*, for the fiscal periods ending December 31, 2007, and 2008, in that several items reported were incorrectly identified or omitted.

**Response:**

The Organization acknowledges the errors made in the prior returns and late filing of the T3010's, and indicates that it will seek clarification from their representative who prepared the return.

**Conclusion:**

It remains our position that the Organization's records are not sufficient to support the information, financial and otherwise, reported on its annual return and that the annual return was improperly completed for each of the reasons outlined in our letter of April 12, 2012.

**Section 149.1 Qualified Donees**

**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; or
- (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.

**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;
- (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 (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;
- (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; and
- (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.

#### **Section 168:**

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

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

Where a registered charity or a registered Canadian amateur athletic association

- (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 as such,
- (c) fails to file an information return as and when required under this Act or a regulation,
- (d) issues a receipt for a gift or donation 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 or donation the granting of which was expressly or impliedly conditional on the association making a gift or donation to another person, club, society or association, the Minister may, by registered mail, give notice to the registered charity or registered Canadian amateur athletic association that the Minister proposes to revoke its registration.

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

Where the Minister gives notice under subsection (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,
- (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, or
- (g) refuses to accept for registration for the purposes of this Act any retirement income fund,

the person in a case 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), or the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (f) or (f.1), 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),
- (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), or
- (d) the time the decision of the Minister to refuse the application for acceptance of the amendment to the 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.

## **Section 188: Revocation tax**

### **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 registered charity

- (a) 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;
- (b) that is not the subject of a suspension under subsection 188.2(1);
- (c) that has no unpaid liabilities under this Act or under the Excise Tax Act;
- (d) that has filed all information returns required by subsection 149.1(14); and
- (e) 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.

### **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) Transfer of property tax**

Where 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 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

$$A - B$$

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

$$A - B$$

Where

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

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

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

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

- (a) file with the Minister a return for the year in prescribed form and containing prescribed information, without notice or demand therefor;
- (b) estimate in the return the amount of tax payable by the taxpayer under this Part for the year; and
- (c) pay to the Receiver General the amount of tax payable by the taxpayer under this Part for the year.

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

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

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

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

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

- (a) the amount, if any, by which
  - (i) the total of all amounts, each of which is an expenditure made by the charity, on charitable activities carried on by it, before the particular time and during the period (referred to in this subsection as the "post-assessment period") that begins immediately after a notice of the latest such assessment was sent and ends at the end of the one-year period exceeds
  - (ii) the income of the charity for the post-assessment period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 if that period were a taxation year, and
- (b) all amounts, each of which is an amount, in respect of a property transferred by the charity before the particular time and during the post-assessment period to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

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

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