



REGISTERED MAIL

Friday's Child International
100 Front St. W. Suite 13-135
Toronto, ON M5J 1E3

BN: 12965 1964

Attention: Ms. Josephine Mansell

File #: 0875971

March 5, 2012

**Subject: Revocation of Registration
 Friday's Child International**

Dear Sir:

The purpose of this letter is to inform you that a notice revoking the registration of Friday's Child International (the Organization) was published in the *Canada Gazette* on March 3, 2012. 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.

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,

MCNasim for Danie Huppé-Cranford

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.: Mr. Thomas McKee
c/o Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto ON M5L 1A9



JUN 17 2010

REGISTERED MAIL

Friday's Child International
100 Front St. W. Suite 13-135
Toronto, ON M5J 1E3

BN: 129651964RR0001

Attention: Ms. Josephine Mansell

File #:0875971

**Subject: Notice of Intention to Revoke
 Friday's Child International**

Dear Ms. Mansell:

I am writing further to our letter dated April 29, 2009 (copy enclosed), in which you were invited to submit representations as to why the Minister of National Revenue (the Minister) should not revoke the registration of Friday's Child International (the Organization) in accordance with subsection 168(1) of the *Income Tax Act* (the Act).

We have now reviewed and considered your written response dated June 19, 2009 (copy enclosed). Notwithstanding your reply, our concerns with respect to the Organization's purposes and activities, non-charitable use of the Organization's resources, disbursement quota and personal benefits conferred on a director, have not been resolved. The basis for our concerns is explained below.

Purposes and Activities, Devotion of Resources and Disbursement Quota

The Organization does not provide services that are considered charitable. Not all endeavours that directly or indirectly benefit the community are charitable at law and many endeavours must be denied as being charitable because they do not meet the definition or criteria of "charitable" as established by common law.

Your position is that in this increasingly digital age, providing online information, such as the 'E-Help Campus', is an increasingly effective way of educating and assisting youth. You have stated that the Organization receives requests from some individuals for assistance and answers them directly by counselling such individuals by telephone or in writing, but that more youth are using technology and the web in their social interactions.

While the provision of online information, such as the E-Help Campus, may impart some form of assistance to youth by providing links to third party websites and offering information on social issues and arts, entertainment and careers, *inter alia*, it does not constitute a charitable activity as established by common law without the active assistance and guidance to the youths who are essentially left to fend for themselves with information available from those other sources. As stated by the

Supreme Court of Canada in *Vancouver Society of Immigrant & Visible Minority Women v. Minister of National Revenue*: "Simply providing an opportunity for people to educate themselves, such as by making available materials with which this might be accomplished but need not be, is not enough" to properly be viewed as falling within the advancement of education.

An educational charity must make a targeted attempt to educate others whether through formal or informal instruction, training, plans of self-study or otherwise. Instruction or training must be provided in a structured manner. In this respect, we would advise that to show and give information to the general public is not sufficient to be regarded as charitable within the accepted legal definition of charity under the advancement of education. It is not sufficient to simply inform people or exchange ideas on a particular subject. No matter how useful the provision of information may be on occasion, it lacks the necessary element of altruism that characterizes education in the charitable sense.

Additionally, the Organization's magazine, *Jo-Lee Magazine*, does not provide any direct charitable benefit and is considered to be a lifestyle magazine with insufficient references to any charitable activities of the Organization. Since hosting the website is not considered charitable, it follows that the magazine cannot be a related business.

Our review of the invoices indicated that most of the expenses were incurred in delivering the E-Help Campus site, which is not considered to be a charitable activity, as stated above. Therefore, the Organization did not meet its disbursement quota.

Personal Benefits

Our audit revealed that the Chairman of the Board of Directors spent a considerable amount of time in Canada, during which personal and living expenses were paid on her behalf by the Organization. These expenses include the rent of her personal residence at the Royal York Hotel, restaurant meals, groceries and other sundry items. The value of these benefits was not included on a statement of income, form T4A. We requested records of business appointments being conducted at the Royal York Hotel room to which your response in your letter of June 19, 2009 was that it would be difficult to maintain formal logs in the absence of paid staff. You also stated that the Organization determined that 40% of the time spent at the Royal York Hotel room may be considered as personal. Since no basis for this calculation and/or no documentation have been provided to substantiate the business versus personal use, our position has not changed.

Conclusion

The Canada Revenue Agency's (CRA) audit has revealed that Friday's Child International (the Organization) was not complying with the requirements set out in the *Income Tax Act* (the Act). In particular, it was found that the Organization did not devote all its resources to charitable purposes and activities, provided improper and personal

benefits to its director and issued donation receipts otherwise than in accordance with the requirements of the Act and its Regulations. For each of these reasons and other concerns identified during the course of the audit, it is the CRA's position that the Organization no longer meets the requirements necessary for charitable registration.

Consequently, for each of the reasons mentioned in our letter dated April 29, 2009, I wish to advise you that, pursuant to the authority granted to the Minister in subsections 168(1) and 149.1(2) of the Act, which has been delegated to me, I propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, revocation will be effective on the date of publication of the following notice in the *Canada Gazette*:

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(d) and paragraph 149.1(2)(b) 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.

Business Number
129651964RR0001

Name
Friday's Child International
Toronto 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

Consequences of Revocation

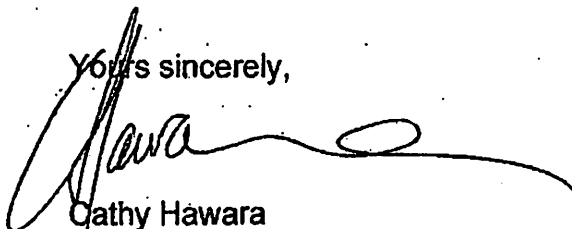
As of the effective date of revocation:

- 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 "A", 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;
- 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
A/Director General
Charities Directorate

Attachments:

- CRA letter dated April 29, 2009
- Your representation dated June 19, 2009
- Appendix "A", Relevant provisions of the Act

c.c. Mr. Thomas McKee
c/o Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto ON M5L 1A9



CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

REGISTERED MAIL

Friday's Child International
c/o Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto ON M5L 1A9

BN: 129651964RR0001

File #: 0875971

Attention: Thomas McKee

April 29, 2009

Subject: Audit of Friday's Child International

Dear Mr. McKee:

This letter is further to the audit of the books and records of the Friday's Child International (the Charity) conducted by the Canada Revenue Agency (the CRA). The audit related to the operations of the Charity for the period from January 1, 2006 to December 31, 2007.

At our meeting of January 22, 2009, you were advised that the CRA has identified specific areas of non-compliance with the provisions of the *Income Tax Act* (the Act) and/or its *Regulations* in the following areas:

AREAS OF NON-COMPLIANCE:		
	Issue	Reference
1.	Personal Benefits Conferred on Director	149.1(1), 168(1)(b) Regulation 200
2.	Non Charitable use of Charity Resources; Purposes and Activities	149.1(1) 168 (1)(b)
3.	Disbursement Quota	149.1(2)(b), 168(1)(b)
4	Official donation Receipt	Regulation 3500 and 3501, 168(1)(d)

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 Charity with the opportunity to make additional representations or present additional information. In order for a registered charity to retain its registration, legislative and common law compliance is mandatory, absent which the Minister of National Revenue (the Minister) may revoke the Charity's registration in the manner described in section 168 of the Act.

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

Identified Areas of Non-Compliance:

1. Personal Benefits conferred on Director

The Charity 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" is defined 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 settlor thereof."

The results of the previous CRA audit were reported to you in an Administrative Fairness Letter on December 30, 2005 (see Exhibit B). The Charity agreed to make specific changes pursuant to the undertaking of March 10, 2006 (see Exhibit A). The Charity agreed in the undertaking to prepare a report for the Board of Directors, along with a proposed expense policy for separating expenditures of the Charity from personal expenditures of the Directors.

The findings in the current audit indicate that the required changes have not been made. During the period under audit, personal and living expenses were paid on behalf of the Director including the rent of her personal residence, meals, groceries and other sundry items. The expenses for the hotel room at the Royal York Hotel amounted to \$30,654 and \$34,076 for the 2006 and 2007 years, respectively, and included restaurant and telephone expenses. The value of these benefits was not been included on a statement of other income, form T4A.

When questioned at our meeting of January 22, 2009, Ms. Mansell stated that no changes or expense policies had been implemented, as all expenses were properly classified. When asked about how much time she spends in Toronto, Ms. Mansell did not provide a response. Our analysis of the credit card statements indicated that there was at least one purchase made on each of 220 different dates for the 2007 year, indicating that most of her time was spent in Toronto. In addition, a majority of the expenditures were personal in nature. This analysis also indicated that Ms Mansell may

have been out of the country on only two occasions during the years under audit. No log book, appointment book or similar documentation was provided and Ms. Mansell had no recollection of any specific meetings to justify the expenses incurred at the Royal York Hotel as administrative expenditures of the Charity.

In the undertaking dated March 10, 2006, you stated that the Chairman is not a resident of Canada and, in any given year, spends most of her time out of the country. The above evidence indicates that this is not the case and that the Charity had not formally reviewed or implemented any changes to the expense policy as per its undertaking.

2. Purpose and 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.

Common law courts have grouped charitable purposes into four categories: the relief of poverty, the advancement of education, the advancement of religion, and other purposes beneficial to the community as a whole which have been identified as charitable by the courts. The fourth category merely identifies an additional group of specific purposes that have been held charitable at law, rather than qualifying as charitable every purpose that provides a public benefit. It is important to note that not all endeavours that directly or indirectly benefit the community are necessarily charitable at law. Many endeavours must be denied charitable status because they do not meet the definition or criteria of "charitable" as established by common law.

An organization's purposes must accurately reflect its charitable intentions and restrict its programs and activities to its purposes. If an organization's activities are clearly acceptable but its objects are broad and vague and do not clearly state a charitable purpose (e.g. to represent and promote the interests of youth, to be a voice for youth, or to give youth sense of belonging), the organization will be required to amend the wording of its formal objects to reflect the problems it actually addresses.

The Charity was initially registered as a foundation and had changed its objects to reflect the change to that of a charitable organization. The revised objects included the following:

- To develop and deliver a program directed to substance abuse, intervention and prevention among the young;
- To educate and disseminate knowledge in the general community to assist communities in identifying and resolving problems faced by impoverished and substance abusing youth; and
- To develop and implement program for the education, training, rehabilitation and guidance of impoverished or substance abusing youth including, but not limited to, consultation services, therapy, teaching and research to allow such youth to realize their maximum potential.

The Charity's current ongoing program consists of worldwide links via the internet to help children around the world discuss and try to solve their problems. This is accomplished by the Charity's website containing the E-Help Campus, the Adeste prize, and the Jo-Lee Magazine. The E-Help Campus site is not an interactive site but provides links to third party websites offering information on various matters within 12 issues: arts and entertainment, careers, education, environment, global politics, global health, law and order, money, other relationships, religion, and social justice.

The E-Help Campus website is advertised as: 'Youth empowered solutions, brings help together from every corner of the globe, acclaimed by the "30 something and under crowds" as the meeting place of the new century, built around speed and effectiveness and developed as: the best infrastructure for helping those in need immediately with quick/free/help.'

Providing information via the E-Help Campus to "youths", the 30 something and under crowd, is not in itself charitable at law. The original objects of the Charity made reference to the active and structured assistance required to help youths with their problems: consultation services, therapy, teaching and research. Without such active assistance and guidance, troubled youths are essentially left to fend for themselves with information available from other sources.

In a letter sent to the Directorate, the Charity mentioned having youth ambassadors in many part of the world and having a telephone video conference and simulcast satellite distribution involving youths in Tokyo, Paris, Los Angeles, and Montreal. The Charity presented these youth panels as working to solve many issues affecting youth today. There was also a New Years Eve event featuring an "Electronic United Nations" on the internet. The future activity had included a "Cyberspace United Nations" for youth to

identify the social ills that challenge them and work towards solving them. These events were not observed to be ongoing or having an impact on the 'Charity' website. The E-Help Campus website was found to be informative but not charitable at law.

As noted in the previous Administrative Fairness Letter, a registered charity is required to devote its resources exclusively to charitable activities. The prior audit had found that a majority of the activity conducted relates to the production and distribution of an on-line magazine. The content of this magazine lacks any charitable content and, as such, the efforts and expenditure involved is not considered as charitable program expenditures.

At that time, the Charity admitted that the Jo-Lee magazine over the years had taken on greater and equal significance to the other activities. Its main purpose was to provide enlightened, educational information to youthful readers, all in support of the objects of the Charity. This magazine has limited advertising, including some for the Adeste Prize.

The Charity had provided the following undertaking regarding the magazine:

- Have the literary content of the magazine even more directly focused upon the objects of the Charity;
- Make more direct references to the Charity in the magazine and the fact that the magazine supports the charitable activities of the Charity and its dominant purpose;
- Make it even more explicit that the awarding of the annual Adeste Prize by the Charity and the publication of this activity in the magazine promotes youth who have benefited mankind through their humanitarian acts or other achievements;
- Consider renaming the Charity and altering its overall branding strategy to more directly link together and align the magazine with the Charity's activities; and
- Consider amendments to the Charity's objects in a manner acceptable to the CRA.

During the January 22, 2009 meeting, you admitted that none of the above changes were implemented by the Charity, and the magazine was a marketing tool bringing in interested viewers to the website. Therefore, the magazine in its present state is not charitable because it is neither educational nor does it provide a public benefit under the law. It does not complement the overall objective of the Charity in assisting troubled youth. The references to the Adeste prize and E-Help Campus are minimal. The Adeste Prize, a humanitarian award cannot by itself be considered charitable.

3. Disbursement Quota

In order to maintain its status as a charitable organization within the meaning of paragraph 149.1(2)(b) of the Act, a registered charity must, in any taxation year, expend amounts that are equal to at least 80% of the aggregate amounts for which it issued donation receipts in its immediately preceding taxation year. A charity is allowed by virtue of 149.1(20) of the Act to offset any shortfalls in its disbursement quota by applying any excesses in its disbursement quota from its immediately preceding taxation year and 5 or less of its immediately subsequent taxation years.

In considering the application of expenditures used to meet the disbursement quota, a charity must ensure that it is expensed directly on charitable activities and/or programs. This would include such payments as salaries to persons performing duties directly related to a charitable program, but would not include amounts paid for purely administrative expenses such as fund-raising costs, legal or accounting fees and the like.

A review of the information reported by the Charity revealed the following:

- \$485,568 in donations was tax-receipted in 2005, of which 80%, or \$388,454 would have to be expensed on charitable activities for the 2006 year.
- In 2006, the charity had recorded total charitable expenditures of \$411,370 in the general journal. A review of the expenses in 2006 revealed the following charitable expense breakdown:

E-Help Campus	\$190,699
Adeste Prize	53,485
Jo-Lee Magazine	126,409
Program unknown	<u>40,777</u>
Total	<u>\$411,370</u>

- \$445,629 in donations was tax-receipted, of which 80%, or \$356,032, would have to be expensed on charitable activities for the 2007 year.
- In 2007, the charity had reported total charitable expenditures of \$336,109. A review of the expenses in 2007 revealed the following charitable expense breakdown:

E-Help Campus	\$ 64,040
Adeste Prize	27,415
Jo-Lee Magazine	148,101
Program unknown	<u>96,553</u>
Total	<u>\$336,109</u>

Based upon the audit finding, the activities undertaken by the Charity were not considered to be charitable. As a consequence, there would be a resulting disbursement quota deficiency.

4. Official Donation Receipts

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 Act and are described in some detail in Interpretation Bulletin IT-110R3 *Gifts and Official Donation Receipts*.

In the undertaking dated March 10, 2006, the Charity had stated that it would comply with the following noted non-compliance issues:

- Official Donation Receipts do not contain the statement "Official receipt for income tax purposes";
- Receipts issued for gifts of services must contain the actual date of receipt of the property, description of the property donated, name and address of appraiser and appraised value of the property; and
- Gifts of service should not be receipted.

As well, the Charity had stated that it would include the CRA website address on future receipts.

The current audit revealed that the Charity has not complied with using the "Official receipt for income tax purposes" statement and instead had used the statement: "Official Income Tax Receipt Registration No." In addition, the Charity has still not included the CRA website on its current official donation receipts.

The Charity'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 Charity 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 Charity, 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
- the Minister giving notice of its intention to revoke the registration of the Charity 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,

[Redacted Signature]

[Redacted Title]

Verification & Enforcement Division
Toronto Centre Tax

Telephone:

[Redacted Telephone Number]

Facsimile:

[Redacted Facsimile Number]

Address:

1 Front St West
Suite 100
Toronto, ON
M5J 2X6

Section 149.1: [Charities]

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) since June 1, 1950, acquired control of any corporation; or
- (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 the registered charity has made a gift to another registered charity and it can reasonably be considered that one of the main purposes of making the gift was to unduly delay the expenditure of amounts on charitable activities;
- (b) of the other charity referred to in paragraph (a), if it can reasonably be considered that, by accepting the gift, it acted in concert with the registered charity to which paragraph (a) applies; and
- (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.

Section 168: Notice of intention to revoke registration

168(1) 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 that is or was registered as a registered charity or is an applicant for registration as a registered charity that objects to a notice under subsection (1) or any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) 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.

Section 172: Appeal from refusal to register, revocation of registration, etc.

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

Where the Minister

- (a) refuses to register an applicant for registration as a Canadian amateur athletic association,
- (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,
- (b) refuses to accept for registration for the purposes of this Act any retirement savings plan,
- (c) refuses to accept for registration for the purposes of this Act any profit sharing plan or revokes the registration of such a plan,
- (d) refuses to issue a certificate of exemption under subsection 212(14),
- (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 applicant or the organization, foundation, association or registered charity, as the case may be, in a case described in paragraph (a) or (a.1), the applicant in a case described in paragraph (b), (d), (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.

Section 180: Appeals to Federal Court of Appeal

180(1) Appeals to Federal Court of Appeal

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

- (a) the day on which the Minister notifies a person under subsection 165(3) of the Minister's action in respect of a notice of objection filed under subsection 168(4);
- (b) the mailing of notice to a registered Canadian amateur athletic association under subsection 168(1),
- (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
- (c) 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
- (d) 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) applies.

188(4) Idem

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"

"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"

"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.

Section 189

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 mailed 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 registered charity in respect of the charity'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 charity after the day on which the Minister first assessed that liability and before the particular time 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 total of

- (a) the consideration given by the 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, 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.

1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the root cause of the problem. Once the causes of the problem have been identified, the next step is to develop a plan to address the problem. This involves identifying the actions that need to be taken to address the problem and determining the resources that will be needed to implement the plan. Once a plan has been developed, the next step is to implement the plan. This involves taking the actions that have been identified in the plan and monitoring the progress of the plan. Finally, the last step in the process is to evaluate the results of the plan. This involves determining whether the plan has been successful in addressing the problem and identifying any lessons learned from the process.

1. The first step in the process of identifying a problem is to recognize that a problem exists. This is often done by comparing current performance with a desired state or goal. If there is a discrepancy, a problem is identified.