



CANADA REVENUE  
AGENCY

AGENCE DU REVENU  
DU CANADA

**REGISTERED MAIL**

Meoroth  
70 Dell Park Ave  
Toronto, ON M6B 2T8

BN: 11903 8628RR0001  
File #: 0626473

Attention: Mr. E. Gross

**Subject:     Revocation of Registration  
              Meoroth**

Dear Mr. Gross:

The purpose of this letter is to inform you that on April 7, 2007, the effective date of revocation, a notice revoking the registration of Meoroth (hereinafter, the "Organization") was published in the *Canada Gazette*. Effective on that date, the Organization ceased to be a registered charity.

As a result of the revocation of the Organization's registration, the Organization is no longer exempt from tax under Part I of the *Income Tax Act* (hereinafter, the "ITA") pursuant to section 149(1)(f) of the ITA as a registered charity. The consequences of the revocation of the Organization's registration are:

- 1) The loss of the Organization's tax-exempt status as a registered charity. Thus, according to section 150 of the ITA, the Organization must file a return of income with the Minister of National Revenue (hereinafter, the "Minister") that is in prescribed form and that contains prescribed information, without notice or demand for the return, for each taxation year of the Organization.
- 2) The Organization is no longer permitted to issue official donation receipts for income tax purposes. Gifts made to the Organization are not allowable as a tax credit to individual donors as provided by section 118.1(3) of the ITA or as a deduction for corporate donors under section 110.1(1)(a) of the ITA.
- 3) Under section 188 of the ITA, the Organization must, on or before the day in a taxation year that is one year from the date of the Notice of Intention to Revoke the Charity's registration,
  - (a) pay a tax under Part V of the ITA for the year; and

- (b) file with the Minister a return, Form T2046 *Tax Return Where Registration of a Charity is Revoked*, (a copy of which is enclosed) in prescribed form and containing prescribed information, without notice or demand therefor.

Section 188(2) of the ITA 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 ITA by the Organization.

Furthermore, the organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (hereinafter, the "ETA"), effective the date of revocation. As a result it may be subject to obligations and entitlements under the ETA that apply to organizations other than charities. If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287 (rest of Canada).

Should you have any questions regarding these matters, you may contact the undersigned at (613) 957-2212.

Yours sincerely,



Holly Brant  
Audit Advisor  
Compliance Section  
Charities Directorate

Enclosure



DEC 12 2006

**BY REGISTERED MAIL**

**COPY**

Meoroth  
70 Dell Park Ave  
Toronto, ON M6B 2T8

BN: 11903 8628RR0001

Attention: Mr. E. Gross

**SUBJECT: Notice of Intention to Revoke  
Meoroth**

Dear Mr. Gross:

I am writing further to our letter dated June 7, 2006 (copy enclosed) and our telephone conversation with your authorized representative, Mr. Aaron Grubner of Minden Gross Graftstein & Greenstein LLP of September 8 and October 18, 2006, in which you were invited to submit representations to us as to how Meoroth (the "Charity") would comply with the *Income Tax Act* (the "ITA") and its *Regulations*.

We acknowledge receipt of your fax dated October 18, 2006 from [REDACTED] wherein the Charity intends to wind down operations by April 30, 2007 in lieu of having to address the issues raised in our letter of June 7, 2006. Given that the audit results indicate that the Charity has contravened certain provisions of the ITA and its *Regulations* and the fact that the request for voluntary revocation was received after our June 7, 2006 letter, we will not grant the Charity a voluntary revocation.

Consequently, for each of the reasons mentioned in our letter dated June 7, 2006, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) of the ITA, and delegated to me, I propose to revoke the registration of the Charity. By virtue of subsection 168(2) of the ITA, the revocation will be effective on the date of publication in the *Canada Gazette* of the following notice:

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

.../2

|                        |             |
|------------------------|-------------|
| <b>Business Number</b> | <b>Name</b> |
| 11903 8628 RR 0001     | Meoroth     |
|                        | Toronto, ON |

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

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

#### **Consequences of a Revocation**

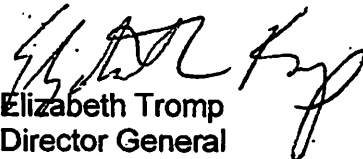
As of the date of revocation, which is the date upon which the above-noted notice is published in the *Canada Gazette*, the Charity will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts.**

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

Furthermore, the Charity will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (the ETA), effective on the date of revocation. As a result, it may be subject to obligations and entitlements under the ETA that apply to organizations other than charities. 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). A copy of the relevant provisions of the ETA that apply to charities (Appendix "B") is also attached for your information.

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

Yours sincerely,



Elizabeth Tromp  
Director General  
Charities Directorate

**Attachments:**

- Our letter dated June 7, 2006
- Appendix "A", Relevant provisions of the *Income Tax Act*
- Appendix "B", Relevant provisions of the *Excise Tax Act*
- RC-4424, "*Completing the Tax Return Where Registration of a Charity is Revoked*" and prescribed form T-2046 "*Tax Return Where Registration of a Charity is Revoked*"



June 7, 2006

**BY REGISTERED MAIL**

Meoroth  
70 Dell Park Ave  
Toronto, ON M6B 2T8

BN: 11903 8628RR0001  
File #: 0626473

Attention: Mr. E. Gross

**SUBJECT:   Audit of Meoroth  
              Years Ending December 31, 2002 to December 31, 2004**

Dear Mr. Gross:

This letter is further to the audit of the books and records of Meoroth (hereinafter, the "Charity") by the Canada Revenue Agency (hereinafter, the "CRA"). The audit related to the operations of the registered charity for the period from January 1, 2002 to December 31, 2004.

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

The balance of this letter describes how the CRA considers that the Charity contravenes the Act.

**Charitable Activities:**

A registered Canadian charitable organization must devote all of its resources to its own charitable activities so as to further charitable purposes in a manner consistent with the Act. The term "charitable" is not defined in the Act, therefore it is necessary to refer to the principles of common law to determine whether a particular purpose or activity is charitable.

.../2

Charitable purposes have been categorized by the courts under the four following headings: the relief of poverty, the advancement of education, the advancement of religion and, other purposes beneficial to the community as a whole in a way which the law regards as charitable. This latter category merely identifies an additional group of specific purposes that have been held charitable at law rather than qualifying as charitable any and all purposes that provide a public benefit.

Aside from showing through documented evidence and proper books and records that it undertook charitable activities in furtherance of charitable purposes, an organization must demonstrate that it operated in compliance with the Act at all times. This requires, among other things, an organization to show that the activities it undertakes benefit only proper objects of charity considering the relief offered. For instance, an organization relieving poverty must show that the beneficiaries of its programs in fact suffer from conditions associated with poverty. The poor are not simply the destitute, but anyone lacking essential amenities, i.e. food, shelter or clothing, available to the general population

As per Meoroth's Information Returns, the primary activity of the charity is providing financial assistance to poor individuals and families for the relief of poverty. The Charity receives requests for financial assistance from various Canadian and international individuals. The individuals are to complete an application form and prove their need for financial assistance to their local Rabbi or community leader. In turn, the Rabbi or community leader makes a recommendation to the Board of Directors of Meoroth. The Board of Directors reviews the application form and any accompanying documentation then approve distribution of funds based on merit and availability of funds. Funds are disbursed to aid recipients in the form of cheques. However documentation to acknowledge the recipients received the funds are not maintained.

Our audit revealed the Charity does not maintain or request the documentation necessary to prove the individuals are objects of charity nor does the Charity have defined selection criteria to establish financial need of the applicants. The application form used by Meoroth requires the individual to provide their marital status, number of dependants, occupation, income and debts as well as the purpose of the application. The aforementioned form is acceptable. However without supporting documentation to substantiate the individual's level of income or lack thereof and defined selection criteria, we cannot ascertain the individuals are poor or that funding was provided to provide relief from the effects of poverty. The Charity has an obligation under the Act of establishing that the individuals are in fact poor.

It is the responsibility of Meoroth to obtain and to maintain adequate documentary evidence to clearly demonstrate recipients of its financial aid program were in fact poor and that the applications received were evaluated against an established set of criteria. The mere fact that the organization's Board of Directors or local Rabbi/community leaders may have had personal knowledge of the applicants does not constitute evidence that the funding was being made to relieve poverty. Personal knowledge cannot be a substitute for a properly applied and documented system of selection criteria that serves to prove that a charity is in fact relieving poverty in a manner consistent with the Act. By failing to show that it applied selection criteria in such a manner that the beneficiaries of its funding were in fact proper objects of charitable relief, the Charity cannot show that it meets the requirement of paragraph 149.1(1)(a) of the Act.

Documentary evidence may consist of originals or copies of source documents such as salary confirmation letters, personal budgets, tax returns or bank statements. Other documentation should include minutes of Board of Directors meetings and other meetings held with applicants, Rabbis and community leaders; written selection criteria; evaluations, and approval or rejection of applications along with appropriate evidence showing the source documents supplied by the individuals; reports; summaries of follow-up visits undertaken (by the Charity's volunteers or directors) to evaluate application of the funds; telephone conversation records, faxes and/or e-mails of discussions of and decisions taken; and other relevant evidential materials or documentation.

The audit conducted for fiscal period ending December 31, 1994 indicated the Charity did not maintain adequate documentation to support the disbursement of funds. The only documentation the Charity maintained to substantiate the distribution of funds to individuals for the relief of poverty were cancelled cheques. The audit also revealed there was no documentation of the criteria used to select the beneficiaries, how the criteria were met in each case and the approval of the payments. The Charity's undertaking letter of November 26, 1996 (copy enclosed) states the Charity will incorporate a system of documentation referred to in our letter of April 11, 1996 to ensure adequate documentation exists to support payments to non-qualified donees. Our audit of fiscal periods December 31, 2002-December 31, 2004 indicates the Charity continued to disburse funds to individuals for the relief of poverty without adequate supporting documentation.

Funds distributed without the necessary supporting documentation to prove that these funds were provided to needy individuals for the relief of poverty cannot be considered to be resources devoted to charitable programs. A charity may incur a disbursement quota shortfall if it does not expend eighty percent of the prior year's officially receipted donations less certain types of gifts received on charitable programs. When a charitable organization fails to expend its disbursement quota in any taxation year, either on charitable activities carried on by it and by way of gifts made by it to qualified donees, the Minister may in the manner described in section 168 of the Act revoke the charitable organization's registration.



### **Books and Records:**

The Act, per subsection 230(2), requires that every registered charity shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing:

- Information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under the Act;
- A duplicate of each receipt containing prescribed information for a donation received by it; and
- 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.

In addition, subsection 230(4) also states "every person required by this section to keep books of account shall retain:

- a) The records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such period as is prescribed; and
- b) All other records and books of account referred to in this section, together with every account and voucher necessary to verify the information contained therein, until the expiration of six years from the date of the last taxation year to which the records and books relate".

In addition to substantiating all costs or expenses paid out of its funds, the charity's books and records should provide documentary evidence that monies it has transferred to any agency or director have been applied to the conduct of activities that are charitable under Canadian law and for which the charity itself is directly and legally responsible.

The purpose of this requirement is to enable the charity to accurately provide CRA with the information required by the Act as well as to enable CRA to verify the accuracy of the reported information.

It was found during the audit that the Charity is maintaining the application forms and accompanying documentation in Hebrew. Per subsection 286(1) of the *Excise Tax Act*, persons, including charities, who are required to file a GST/HST return, or persons who make an application for a rebate or refund, must keep adequate books and records in English or French in Canada. The Charity filed a GST/HST Public Service Body Rebate for the period ending December 31, 2004 thereby requiring the Meoroth to maintain all books and records in English or French. This requirement is referenced in Registered Charities Newsletter # 26 and GST/HST Memoranda Series 15.1.

The audit indicated the books and records kept by Meoroth were inadequate for the purposes of the Act. In addition to the instances noted above, Meoroth did not provide copies of all expenditure receipts and all other forms of documentation necessary to verify the information reported per the organization's financial statements. The receipt and disbursement journals provided contained items recorded as charitable distributions, however, no documentation was provided to verify payments described as "Wire Transfer", "Cheque missing" or "Moneynet Ltd" were in fact charitable distributions to the poor. The Charity also distributed funds to various organizations and educational institutions within and outside Canada, which do not appear to be qualified donees as per subsection 149.1(1) of the Act. Refer to Appendix "A", which itemizes payments that do not appear to be charitable distributions. Without the necessary supporting documentation to ascertain the distributions were made for charitable purposes, the distributions cannot be considered as expenditures on charitable programs.

It was noted that the Charity does not maintain the Governing Documents, or minutes of director/trustee meetings. The Governing Documents and minutes of meetings contain valuable information about a charity's history and operations as well as the charity's past, present and future activities. The Governing Documents and minutes as provided only contained the trust indenture establishing the charity, director resignations and acceptances of positions for the period of 1981-1988 and excerpts from a Board of Directors meeting held February 24, 2002.

A charity is not meeting its requirement to maintain adequate books and records if it fails to exercise due care with respect to ensuring the accuracy thereof.

#### **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*.

Our review of the official donation receipts provided revealed that Meoroth was not in compliance with Income Tax Regulation 3501 as follows:

- Each official donation receipt prepared by World Health Initiatives (hereinafter, "WHI"), on behalf of Meoroth, acknowledging the units of pharmaceutical gifts in kind received failed to contain the phrase "Official receipt for income tax purposes" (Regulation 3501(1));
- Every official donation receipt issued by the Montreal office failed to contain the address of the charity as recorded with CRA (Regulation 3501(1)(a));
- Official donation receipts issued by the Montreal office were not issued in sequential order (Regulation 3501(1)(c));
- Receipts were issued by the Montreal and Toronto offices bearing duplicated receipt numbers (Regulation 3501(1)(c));
- The full address of the donor was not recorded on all official donation receipts issued by the Montreal and Toronto offices (Regulation 3501(1)(g));

- The exact copy of every official donation receipt retained by the Montreal and Toronto offices failed to contain the taxation year in which the receipt was issued (Regulation 3501(1)(e)).

The Charity has noted it made the necessary adjustments to ensure official donation receipts issued by the Montreal office are issued in sequential order for 2005 and all official copies of donation receipts issued by the Toronto office bear the taxation year in which a gift was received. The Charity has not provided evidence that the original official donation receipts issued by the Montreal office for 2005 were recalled from the donors, cancelled and replaced with receipts issued in sequential order or that the official copies of donation receipts issued by the Montreal office bear the taxation year in which a gift was received.

Regulation 3501(4) of the Act stipulates that an official receipt issued to replace an official receipt previously issued shall clearly show that it replaces the original receipt and, in addition to its own serial number, shall show the serial number of the receipt originally issued. Regulation 3501(5) requires that a spoiled official receipt form shall be marked "cancelled" and such form, together with the duplicate thereof, shall be retained by the registered organization or the other recipient of a gift as part of its records.

The audit revealed that receipts issued by WHI, on behalf of Meoroth, for replacement receipts were not prepared correctly. Receipts were provided containing a slash through the information. It is unclear if these receipts are considered spoiled or cancelled. Replacement receipts did not contain the phrase "this cancels and replaces receipt no. xxx" nor did the cancelled receipt mention "cancelled" on the charity's copy.

The Charity issued official donation receipts for gifts received from other registered charities. Official donation receipts should not be issued to other registered charities to acknowledge gifts nor should other registered charities insist on receiving official donation receipts. Official donation receipts that bear a charity's registration number and other information required by the Act are for tax deduction or credit purposes only. However a charity may issue receipts to acknowledge gifts it has received from other registered charities as long as those receipts are distinct from the official donation receipts.

An audit conducted for the fiscal period ending December 31, 1994 revealed the Charity issued official donation receipts without the statement "*Official receipt for income tax purposes*" and the receipts did not show the full address of the Charity. The Charity undertook in its correspondence dated November 26, 1996 to ensure all receipts issued would be in accordance with all the Regulations under the *Income Tax Act*. The Charity has failed to implement the undertakings accepted by Revenue Canada (the Agency).

**Donation Arrangement:**

In 2004, Meoroth participated in a donation arrangement whereby donor beneficiaries of a trust, Canadian Humanitarian Trust, donated units of World Health Organization Essential Medicines (hereinafter, the "pharmaceuticals") to the charity. Meoroth issued official donation receipts based on the value of the pharmaceuticals within the units then gifted the units to a Canadian registered charity, Canadian Physicians for Aid Relief (CPAR). CPAR in return issued a cash gift to Meoroth calculated as 1.057% or \$992,195.94 of the appraised fair market value of the units received. Meoroth incurred fundraising costs calculated as 1% or \$676,209.97 of the total gift receivable from CPAR.

The CRA offers the following concerns with regard to this area:

It has come to our attention that some charities are involved in receiving gifts for which an official donation receipt has been issued for an amount well in excess of the fair market value of the gift in kind. The receipting of gifts in kind for inflated values has led to revocation of the charitable status of organizations in the past.

The CRA therefore, cautions against receipting for gifts in kind in excess of the fair market value. For further information on this topic, reference should be made to the pamphlet entitled *Gifts and Income Tax*, Fact Sheet November 2003 and 2004 entitled *Tax Shelter Donation Arrangements*, and Newsletters #4, #6, #8, #18 and # 24 which discuss receipting for gifts in kind. These items can be viewed on our website at [www.cra-arc.gc.ca/tax/charities/](http://www.cra-arc.gc.ca/tax/charities/).

Additionally, we would like to inform you that certain amendments to the Act were introduced as part of Bill C-33 tabled in Parliament on March 23, 2004, that came into force May 13, 2005. As part of the amendments, a registered charity that issues an official donation receipt that includes incorrect information is liable to a penalty equal to 5% of the eligible amount stated on the receipt. This penalty increases to 10% for a repeat infraction within 5 years.

A registered charity that issues an official donation receipt that includes false information is liable to a penalty equal to 125% of the eligible amount stated on the receipt, where the total does not exceed \$25,000. Where the total exceeds \$25,000, the charity is liable to a penalty equal to 125% and the suspension of tax-receipting privileges.

Additionally, charities may be subject to third party civil penalties for their involvement in a tax shelter arrangement. Effective June 29, 2000, third parties are subject to civil penalties for making misrepresentations in respect of tax matters that could result in their clients making false statements or omissions on their returns which include overstating the fair market value of a property donated. These penalties are based on the amount of tax evaded and the gross revenues earned by the third party providing information or services to taxpayers.

**Information Return (Form T3010):**

Pursuant to subsection 149.1(14) of the Act, every registered charity must, within six months from the end of the charity's fiscal period (taxation year), without notice or demand, file a Registered Charity Information Return with the applicable schedules.

It is the responsibility of Meoroth 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.

Meoroth improperly completed the Information Return for the periods January 1, 2002 to December 31, 2004 in that many items reported were incorrectly identified or omitted. Specifically:

- Listing of the charity's directors/trustees was incomplete for all years. The Charity failed to include Yitzchak D. Breitstein, Shimon (George) Binet, Sholom Y. Breitstein, Amam Rottman and Moshe Reiner on the listing of directors/trustees;
- Charity included \$14,268.50 of fundraising expenses as management and general expenses at line 122 (2002);
- Charity indicated no gifts were made to qualified donees in 2002. Gifts were distributed to organizations such as Bais Yaakov Elementary School and J.B. Brass of Canada as per receipt and disbursement summary.
- Lines 4950 and 5000 (2003) failed to report the Charity's total expenditures on charitable programs;
- Section C9 (2004) indicated "No" to using incentive-based compensation for fundraisers. The Charity retained the services of World Health Initiatives Inc. to perform fundraising services in 2004. World Health Initiatives Inc. were contracted fundraisers.
- Section C12 (2004) failed to indicate the receipt and distribution of units of pharmaceutical gifts in kind received by the Charity;
- Line 4500 (2004) failed to report total tax-receipts issued for gifts in kind.
- Lines 4950 and 5000 (2004) failed to report the Charity's total expenditures on charitable programs;
- Section F2 (2004) failed to report the gross revenues collected by and amounts retained by the fundraiser and net fundraising income retained by the charity.

The Charity filed a T1240 *Registered Charity Adjustment Request* correcting the above noted omissions for fiscal periods ending December 31, 2003 and 2004.

As you are aware, registered charities are no longer required to calculate their disbursement quota on the Charity Information Return. The disbursement quota and any excess/shortfall is now calculated by the Charities Directorate based on information in the charity's return and provided to the charity in a Notice of Confirmation. However, calculation of the December 31, 2003 and 2004 disbursement excess/shortfall would not be possible since the level of expenditure on charitable activities (line 5000) was unknown. The disbursement quota and any excess/shortfall will be calculated based on the information provided in the T1240 *Registered Charity Adjustment Request* and provided in a Notice of Confirmation.

An audit conducted for the fiscal period ending December 31, 1994 revealed the Charity was improperly completing the Information Return. The Charity stated in its correspondence dated November 26, 1996 the deficiencies identified in our letter were reviewed in detail with the Directors and the errors would be remedied. Some of the errors identified in our prior audit continue to exist in our current audit, therefore it does not appear the Directors have fully implemented the undertakings accepted by Revenue Canada (the Agency).

#### **Statement of Remuneration Paid:**

Where salaries or wages are paid, the Act requires annual T4 Summaries and T4 Statements of Remuneration Paid be prepared by the employer [Regulation 200(1)]. In addition to the salaries and wages actually paid, the T4 Summaries and T4 Statements of Remuneration Paid must also include the value of all taxable benefits conferred on employees in the year [paragraph 6(1)(a)]. T4 Summaries of remuneration paid must always be based on the calendar year.

In addition to the foregoing annual reporting requirements, where an employer pays an amount in respect of an individual's salary, that employer is required to withhold certain amounts from such payments [subsection 153(1)]. These amounts are in respect of income tax, Canada Pension Plan, Unemployment Insurance, etc. and the withholdings must be remitted to the Receiver General of Canada.

The audit evidence indicated that [REDACTED] received salary payments totalling \$4,000 in 2002, \$18,900 in 2003 and \$17,860 in 2004. The audit evidence indicated that [REDACTED] received salary payments totalling \$6,000 USD in 2002 and employee benefits of \$14,500 pertaining to the acquisition of a 1999 Chevy Venture when the vehicle was purchased in the name of [REDACTED] and no vehicle usage logs were provided to indicate the vehicle was acquired for use in the charity. No T4As were issued for any of these payments nor were deductions made and remitted to CRA.

#### **Conclusion**

In order for a charity to retain its registered status, it must comply with the applicable requirements of the Act and its Regulations. **I will be contacting you shortly to help explain our concerns in more detail and to discuss what the Charity can do to retain its registered status.**

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 call the undersigned at the numbers indicated below; you may also write to me at the address indicated at the bottom of page 1 of this letter.

Yours sincerely,

Holly Brant  
Auditor  
Compliance Division  
Charities Directorate



Internet: : [www.cra-arc.gc.ca/charities/](http://www.cra-arc.gc.ca/charities/)

Attachments:

- Appendix "A", Listing of non-charitable distributions
- Your letter dated November 26, 1996