



MAR 03 2004

REGISTERED MAIL

Ms. Kimberley Waldron, President
Parkinson's Support and Research Society
414 - 1550 Bedford Highway
Bedford, Nova Scotia
B4A 1E6

Your file Votre référence

Our file Notre référence

REG 3017250
BN 89366 3716 RR 0001

Subject: Notice of Intent to Revoke Parkinson's Support and Research Society

Dear Ms. Waldron:

I am writing to you further to our letters dated January 23, 2003, and February 13, 2004 (copies enclosed), in which you were invited to submit representations to us as to why the *Minister of National Revenue* should not revoke the registration of Parkinson's Support and Research Society in accordance with subsection 168(1) of the *Income Tax Act* (the "*Act*").

We have reviewed your written responses of April 23, 2003, as well as additional information provided during our visit of January 12, 2004. Our view remains unchanged in light of this information, and I wish to advise you that pursuant to the authority granted to the Minister in subsection 168(1) of the *Act* and delegated to me in subsection 900(8) of the Regulations to the *Act*, I propose to revoke the registration of Parkinson's Support and Research Society. By virtue of subsection 168(2) of the *Act*, 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)(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 and that the revocation of registration is effective on the date of publication of this notice.

Registration Number	Business number	Name
3017250	89366 3716 R0001	Parkinson's Support and Research Society Bedford, Nova Scotia

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Should you wish to appeal this notice of intention to revoke the charity's registration in accordance with subsections 172(3) and 180(1) of the *Act*, you are advised to file a Notice of Appeal with the Federal Court of Appeal within 30 days from the mailing of this letter. The address of the Federal Court of Appeal is:

Supreme Court Building
Wellington Street
Ottawa, Ontario
K1A 0H9

Please note that Federal Court Rules impose particular obligations upon an appellant to be met within restricted time frames. In particular, the appellant is responsible for filing the documents that will form the case material for the Court's review. You can obtain information about these Rules from the Court.

Consequences of a Revocation

As of the date of revocation of the registration of Parkinson's Support and Research Society, which is the date upon which the above-noted notice is published in the *Canada Gazette*, Parkinson's Support and Research Society 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, Parkinson's Support and Research Society may be subject to tax pursuant to Part V, section 188 of the *Act*. For your reference, I have attached a copy of the relevant provisions of the *Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

I wish to advise you that pursuant to subsection 150(1) of the *Act*, 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 truly,



Maureen Kidd
Director General
Charities Directorate

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Attachments



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

REGISTERED

Ms. Kimberley Waldron, President
Parkinson's Support and Research Society
414 - 1550 Bedford Highway
Bedford, Nova Scotia
B4A 1E6

REG 3017250
BN 89366 3716 RR 0001

January 23, 2003

Dear Ms. Waldron:

Re: Charity Tax Audit - Parkinson's Support and Research Society

This letter is further to the audit of the books and records of Parkinson's Support and Research Society (the "PSARS"), which was conducted by a representative of the Canada Customs and Revenue Agency (the "CCRA"). The auditor has discussed certain non-compliance issues with you during the final meeting. In light of their importance, and your response letter, the auditor has referred his concerns for our review. Due to current workload demands in the Charities Directorate, we were unable to formally communicate to you sooner the results of this audit. We apologize for this delay.

The results of the audit indicate the PSARS has contravened certain provisions of the *Income Tax Act* (the "*Act*") or its Regulations. For a registered charity or private foundation to retain its registration, it must comply with the provisions of the *Act*. If a particular registered charity or foundation does not comply with these provisions, the Minister may revoke that charity's registration in the manner described in subsection 168(2) of the *Act*. The balance of this letter describes the CCRA's concerns.

Books and Records

Subsection 230(2) of the *Act* requires every registered charity to keep records and books of account at an address in Canada as recorded with the Minister. These records and books of account shall contain:

- information in such form as will enable the Minister to determine whether there are any grounds for the revocation of the Charity's registration in accordance with the *Act*;

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Charities Directorate
Place de Ville, Tower A
320 Queen Street
Ottawa, ON K1A 0L5

Canada

- 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*.

The purpose of this requirement is to enable the Charity to accurately provide CCRA with the information required by the *Act* as well as enable CCRA to verify the accuracy of reported information through the conducting of audits.

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

- 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
- 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".

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.

The auditor noted the following deficiencies:

- The Charity did not maintain a general ledger or similar record of receipts and expenditures which were up to date;
- The Charity did not maintain complete up to date records of bank transactions;
- The auditor was unable to confirm all revenues and expenditures as recorded;
- The books and records provided little information as to the charitable nature of the expenditures;
- The Charity did not maintain a journal listing of donors;
- The accuracy and accounting of official receipts were inadequate;
- The Charity did not have controls in place to enable the auditor to verify that all cash donations for which official donation receipts were issued were deposited in the Charity's bank account;
- The Charity provided no breakdown or supporting documentation of fundraising amounts earned by each of the individual fundraising methods;
- The charity did not prepare and issue a proper Statement of Remuneration (Form T4 or T4A) to its employees and/or file a T4/T4A Summary with CCRA; and
- The Charity did not maintain any official minutes of any board meetings.

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In addition, with the recent submission of the 2002 Registered Charity Information Return (T3010), it was noted that the Charity's submitted Financial Statements are irreconcilable with the amounts reported on the Information Return. As well, amount inconsistencies were found in the Information Return itself.

Accordingly, the Charity is not exercising due care with respect to the accuracy of its books and records. Pursuant to paragraph 168(1)(e) of the *Act*, the Minister may, by registered mail, give notice to the registered charity that he proposes to revoke its registration if it fails to comply with or contravenes section 230 of the *Act* dealing with books and records.

Devotion of Resources to Charitable Activities

The audit has raised serious concerns with respect to PSARS activities. According to the audit and our review, the PSARS has not demonstrated adequate direction and control over its activities.

The *Act* permits a registered charity to carry out its charitable purposes, both inside and outside Canada, in two ways. First, it can fund other organizations, which are qualified donees as described in the subsection 149.1(1) of the *Act*; second, it can carry on its own charitable activities.

Our review and analysis of the reported amounts show that only 10% of total disbursements were used by the charity for charitable purposes. In addition, an analysis of monies deposited for the same period shows that for every dollar deposited, only 9 cents was utilized for charitable purposes. These low ratios point to a serious lack of devotion of resources for charitable purposes.

See Schedule "A" Devotion of Resources Review / Allocation of Total Disbursements

In addition, our analysis of the June 30, 2002 Information Return has found that only 5% of the total reported T3010 disbursements were used by the charity for charitable purposes. As well, a similar analysis shows that for every dollar of revenue reported, only 3 cents was utilized for charitable purposes. These low ratios clearly point to a serious lack of devotion of resources for charitable purposes.

See Schedule "F" Devotion of Resources Review (2002 Information Return)

Although a charity is permitted to engage in some fund-raising activities to maintain its existence and to obtain funds for the achievement of its charitable purposes, such activities must be merely incidental and ancillary to the charitable objects of the charity.

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The CCRA does not consider fund-raising activities to be in and of themselves charitable. When fundraising activities become so significant that a sufficient portion of the charity's resources are devoted to such non-charitable activities, and when an activity which should be merely ancillary and incidental to the purposes of an organization takes on such importance and "scope", that it cannot be conducted within our framework for compliance with the *Income Tax Act*, and further, when the activity appears to be the only or the predominant activity carried on by the organization, we can only conclude that the activity has become an end in itself, and not merely a means to attain a charitable end.

Subsection 149.1(1) states that a charitable organization must devote all of its resources to charitable activities carried on by the organization itself. The *Act* reinforces this requirement in paragraph 149.1(2)(b), by authorizing the Minister to revoke the registration of a charity if it fails to make required expenditures on charitable activities carried on by it.

Official Donation Receipts

The audit reports that the donation receipts issued by the Charity did not comply with the requirements of Regulation 3501 of the *Income Tax Act* and IT-110R3 as follows.

- The registration number was not always reflected on the donation receipts;
- Receipts did not always show the full name, and address of the Charity in Canada as recorded with CCRA or the place or locality where the receipt was issued;
- The donation receipts did not include the statement, "Official Receipt for Income Tax Purposes" and were not always issued in sequential order;
- The full name and address of donors including, in the case of an individual, the first name and initial of the donor were not always indicated on the receipts;
- The official receipts were not always signed and sometimes a dollar amount was not reflected on them;
- Due care was not exercised in all cases to prevent possible alteration of the amount of the donation as shown on the receipts;
- The control over receipts is considered weak. It was noted that completed blank receipts were found in old receipt books that appear to be no longer in use;
- The date on which cash donations were received was not indicated on the donation receipts when that date was different from the date the receipt was issued;
- Spoiled receipts were not marked cancelled; and
- It was noted that the official donation receipts were not distinct from temporary receipts used by the charity. Official income tax receipts must be distinct from receipts used for other purposes.

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Under paragraph 168(1)(d) of the *Act*, the Minister may, by registered mail, give notice to the registered charity that he proposes to revoke its registration because it issues a receipt otherwise than in accordance with the *Act* and the Regulations.

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.

The audit and our review indicates that the Charity will fail to meet its disbursement quota of 80% for the future fiscal years, based on current expenditures and revenues.

In response to your letter dated June 7, 2002 requesting a reduction of \$500,000 in the disbursement quota for the taxation years, 2001 – 2002, we provide the following comments:

Your T2094 application to reduce the disbursement quota pertains to two taxation years: 2001 and 2002. The application states a need to reduce your disbursement quota by \$500,000 but does not provide any working papers, schedules, or details to substantiate this amount.

The provisions of subsection 149.1(5) of the *Income Tax Act* allows specified amount deemed to have been expended by a charity on charitable activities. The purpose of this alleviating provision is to allow a charity to correct a deficiency in meeting its disbursement quota where such a deficiency is the direct result of special circumstances beyond the charity's control that are specific and not general in nature. This provision is not to be used as a mechanism to exempt the charity from meeting its disbursement quota, except in such extraordinary circumstances.

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A registered charity's disbursement quota is essentially based on its previous year's financial situation. We will not approve a request to reduce its disbursement quota if the charity can meet its disbursement quota for the current filing period by applying disbursement excesses from previous years.

Essentially, a private foundation must expend all of its funds on charitable activities, which includes the gifting of monies to qualified donees. The foundation must not be a vehicle for fundraising, nor incur personal benefits and/or operate a facility as a business.

We are of the opinion that the request for a reduction of \$500,000 in the disbursement quota is not supportable and is solely sought to avoid meeting the requirements of the disbursement quota. We believe that your charity's lack of due diligence and care, not only in its books and records, but also in its operations, are not consistent with a registered charity's mandate and/or the public perception of a registered charity.

It would be inappropriate to allow a reduction of the disbursement quota considering our major concerns with your charity's contraventions of the *Income Tax Act*.

Definition of a Charitable Foundation

Section 149.1 of the *Act* states that a charitable foundation means a corporation or trust,

- a) is constituted and operated exclusively for charitable purposes,
- b) 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.

Charitable Expenditures

Our review of the charity's supporting documentation reveals that only \$ 5,874 of \$56,034 of the total disbursements was utilized for charitable programs and/or activities. This low percentage clearly does not meet the definition of a Charitable Foundation under Section 149.1(1) of the *Act* and/or the general provision requirement for a registered charity under 168(1)(b) of the *Income Tax Act*.

See Schedule "A" Devotion of Resources Review / Allocation of Total Disbursements

Personal Benefits

Our review of the charity's disbursements indicates many instances where the charity's funds were used to cover directors' personal expenses. Some examples include payments to the [REDACTED]

[REDACTED] In addition, charity funds were withdrawn to cover personal auto repairs, personal gas costs, and personal meals.

See attached Schedule "D" Audit Identified Personal Benefits

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A major contravention is the lack of supporting documentation for charity funds that were withdrawn via cash withdrawals and/or cheques written to unknown suppliers. We noted too that these cleared cheques have not been returned to the charity. These amounts represent 32% of the total disbursements from the charity's bank accounts. As these amounts cannot be determined to have been spent on charitable programs and/or activities, the possibility exists that the directors and/or employees of the charity may have utilized them for personal ends.

See attached Schedule "B" Unknown and/or Unidentifiable Expenses
and Schedule "C" Unidentifiable Cash Withdrawals

Statement of Remuneration Paid

Where salaries or wages are paid, the *Act* requires that 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 director K. Waldron received salary payments totalling \$ 3,620, a bookkeeper received payments amounting to \$ 5,400, and various known other payments totalling more than \$ 15,000 were made to third party fundraising canvassers. No T4As were issued for any of these payments.

In addition, the audit determined that the directors of the charity received personal benefits amounting to \$ 2,393. Of particular note, it is not known whether an unaccountable amount of \$18,050 was incurred in relation to fundraising costs, possible personal directors' benefits and/or charitable activities, as no supporting documentation was provided. These amounts are considered to be taxable in the hands of the directors under paragraphs 6(1)(a), 6(1)(b) and/or 6(1)(c) of the *Income Tax Act*. And as such they should have been included on any T4 or T4A issued.

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Fund Raising Expenditures

The CCRA recognizes that organizations may incur fund-raising expenditures as part of their overall effort in achieving their charitable goals. The cost and the devotion of human and physical resources to fund-raising activities are acceptable as long as they remain reasonable. However, pursuant to the *Act*, we do not consider fund-raising costs to be charitable expenditures.

The Agency takes the position that it is reasonable for a charity to devote up to 20 per cent of its income as well as an equivalent share of its human and physical resources on fund-raising expenses and activities as opposed to direct charitable activities. We conclude that PSARS has devoted an excessive portion of its current income and efforts to fund-raising and we cannot conclude that it is devoting all of its resources to charitable activities.

Furthermore, the audit revealed that the fund-raising activities of PSARS included door to door canvassing and the use of telemarketers. These activities involved the use of one local, and two out of province contracted fundraisers. These facts in themselves are not contentious, but the lack of control and accountability of the fundraising revenues and receipts certainly are. We observed that no fundraising earnings statements were presented or retained by the charity for its fundraising contracts. This omission demonstrates a clear lack of due diligence and care.

The contract with the local fundraiser, [REDACTED], stipulates that he receives 60% of the monies raised through his fundraising efforts. The contract is not clear who is responsible for issuing the official donation receipts and/or what expenses the 60% fundraising fee covers. Under this contract, for every \$10 donation received, \$6 goes to the contracted fundraiser to cover his costs, while a maximum of \$4 goes to the charity. This \$4 could be lower, pending other fundraising costs incurred directly by the charity. This contract devotes an excessive portion of the donations received to fundraising. Thus the contract cannot be considered to be devoting a reasonable portion of its resources for charitable activities.

A review of the out of province fundraising contracts shows very much the same problem with an excessive portion of the donations received not being used by the charity for charitable purposes. Based on the two contracts, approximately \$2.12 of each \$10 donation is provided to the charity for possible use in charitable activities. Clearly this denotes a lack of devoting a reasonable portion of the charity's income for charitable activities.

You stated to the auditor that part of the fundraisers' costs relates to public education and public awareness, performed by these entities during their fundraising endeavours.

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In order to be educational in a charitable sense, information or training must be provided in a structured manner such that the knowledge imparted generally has a goal or thesis, and presents an argument or train of thought. We have examined the pamphlets distributed by canvassers and concluded that the primary purpose is to aid fundraising. The mere dissemination of information is not recognized as a charitable activity. As such, the pamphlets do not appear to be educational.

We have also reviewed the material to determine if it may be considered as promotion of health. In our opinion, the material does not satisfy the requirements of the common law with regard to the promotion of health.

A review of PSARS's revenues and deposits shows a major dependence on these contracted fundraising operations. You further acknowledge this fact by explaining the use of third party fundraisers in your letter of response. Given your mandate to build a Parkinson's care facility, we acknowledge the need to raise funds for this purpose. Our major concern is the degree of fundraising costs incurred in order to raise these needed funds. In our Notification of Registration letter dated June 28, 2001 (copy attached), we formally advised your charity of the possible fundraising issues and concerns. It is clear that these warnings have been disregarded. In addition, no planning or budgetary documentation was presented at the time of the audit to support your future plans to build a care facility. These inconsistencies leave an unacceptable negative impression pertaining to the charity's activities and goals.

For each and every reason previously mentioned, we conclude that the Society would not qualify to retain its charitable registration. Therefore, under paragraph 168(1)(b) of the *Act*, the Minister may, by registered mail, give notice to the Charity that he proposes to revoke its registration because it ceases to comply with the requirements of the *Act* relating to its registration as such.

PSARS as a Private Foundation

Under the requirements of paragraph 149.1(4) of the *Act*, 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 by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year.

Essentially, a private foundation must expend all of its funds on charitable activities, which includes the gifting of monies to qualified donees, and not be a vehicle for fundraising, nor incur personal benefits and/or operate a facility as a business.

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In your response letter dated April 3, 2002, you acknowledge your charity's wishes to re-classify its registration status by pursuing new board members with professional expertise in order to benefit and support your charity's cause. As this remains an unsupported issue and your charity's status remains unchanged, it is your responsibility to operate your charity as a private foundation and follow the private foundation requirements of the *Act*. It is apparent that PSARS has not followed the requirements of *Act*.

For the above reason, we conclude that the Society would not qualify to retain its charitable registration. Therefore, under paragraph 168(1)(b) of the *Act*, the Minister may, by registered mail, give notice to the Charity that he proposes to revoke its registration because it ceases to comply with the requirements of the *Act* relating to its registration as such.

Audit Response Letter

In response to your letter dated April 3, 2002 we provide the following comments:

Board of Directors

You have informed us in writing of the Charity's intention to acquire more professional board members in order to re-classify the Charity's status. This proposed re-classification cannot be accepted as a viable reason for your charity's lack of due diligence and care in its current operations. The Charity has been registered as a private foundation and should operate as such. Your audit response letter confirms and acknowledges that you were well aware of the requirements of your charity's registration since its inception. Yet, you have apparently operated in disregard of the provisions of the *Act* described elsewhere in this letter.

Fund Raising

The Charity's registration application was signed by the directors on April 21, 2001, and received at CCRA on May 7, 2001. You were notified that the registration was accepted via our letter dated June 28, 2001, which detailed an effective start date of June 30, 2001. Your registration application acknowledges the need to fundraise in order to meet your mandate. Specifically, the application states that occasional and regular fundraising will be handled by volunteers (Questions 15 and 16). Plus, under the Part 4 heading of Information about the Activities (Question 13), it is written that fundraising will initially be conducted in the Province of Nova Scotia and will eventually be expanded into a national campaign. The application makes no reference to the use of third party or professional fundraisers.

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Your letter in response to the audit explains the need for third party fundraisers due to a lack of resources, and in particular you mention volunteers and finances. Considering the early stage of the charity's development, it is understandable that volunteers and finances would be at minimum levels. That being said, we would have surmised that based on your application, the Charity's efforts would have been directed to recruiting volunteers or workers, obtaining financing, etc. for your charitable activities. Our review reveals no efforts or supporting documentation to show that this approach was pursued. Our review of the third party fundraisers' contracts show that local fundraiser [REDACTED] and PSARS entered into a contract for his services commencing the same month your registration took effect. The contract with [REDACTED] presented to our auditor for review refers to itself as a revised contract dated February 2002, thus implying that a previous contract had existed. Implementation dates for previous contracts are unknown. The third contract with [REDACTED] shows a contract period of October 8, 2001 to October 8, 2002.

This appears to be a major conflict between the information submitted in the Charity's application on the one hand, and the absence of recruitment efforts paired with third party fundraiser contracts on the other. As there was no evidence of working plans or efforts to establish a volunteer base, we must question the Charity's objects and activities.

In addition, the Charity has explained its use of promotional campaigns, events and brochures to increase public awareness and education. We are unable to ascertain whether these events and/or campaigns took place, as no adequate supporting documentation or correspondence was provided. Our review of your brochures does not confirm their educational value; rather their function appears to be solely as an aid to fundraising. Consequently we do not consider the distribution of this material to have been a charitable activity.

You have pointed out that the charity has suffered various setbacks and/or growing pains which include substantial start-up costs such as equipment and materials, lack of salaried employees creating an overwhelming burden of work, postponement of activities and events due to the lack of resources, and our charity audit. We understand your concerns but we remind you that these problems are consistent with the start up of any new charity and/or business. The audit and review did determine that funds have been paid to directors, bookkeepers, helpers and third party fundraisers. As well, we learned that \$14,800 was withdrawn from the charity's bank account for which no explanation has been presented. We are of the opinion that these setbacks cannot be used to justify the charity's lack of planning and care.

The Charity's response to the problem of errors made in relation to official donation receipts again re-iterates the issue of a lack of funds. This reasoning is unacceptable; any charity or business commencing operations should have a viable business plan. The registration of the Charity is a privilege, and it is incumbent on the Charity's directors to ensure that it complies with the requirements of the *Income Tax Act*. Official donation receipts are a significant part of any charity's obligations and omissions or errors will not be taken lightly.

Further to Notification of Registration

Further to our letter dated June 28, 2001, the continued registration of your charity is dependant on the Charity forwarding its official governing documents to CCRA. Our file records indicate no such copies have been submitted. This omission appears to represent another instance of the Charity's lack of due diligence and care.

A recent submission by the Charity provided amendments to its By-Laws and Memorandum of Association. Our review of these documents indicates that they are not duly certified by the Nova Scotia Registry of Joint Stock Companies. Thus, they cannot be recognized as official governing documents of the Charity.

Conclusion

For each of the reasons cited above, we conclude that PSARS would not qualify to retain its charitable registration. Therefore, under paragraph 168(1)(b) of the *Act*, the Minister of National Revenue (the "Minister"), may, by registered mail, give notice to PSARS that he proposes to revoke its registration because it ceases to comply with the requirements of the *Act* relating to its registration as such.

The consequences to a registered charity of losing its registration include:

- The loss of its tax exempt status as a registered charity which means that PSARS would become a taxable entity under Part I of the *Act* unless it qualifies as a non-profit organization as described in paragraph 149(1)(l) of the *Act*;
- Loss of the right to issue official donation receipts for income tax purposes which means that gifts made to PSARS would not be allowable as a tax credit to individual donors as provided at subsection 118.1(3) of the *Act* or as a deduction allowable to corporate donors under paragraph 110.1(1)(a) of the *Act*; and
- The possibility of a tax payable under Part V, subsection 188(1) of the *Act*.

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For your reference, I have attached a copy of the relevant provisions of the *Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

If you do not agree with the facts outlined above, or if you wish to present any reasons why CCRA should not revoke the registration of PSARS in accordance with subsection 168(2) of the *Act*, we invite you to submit your representations **within 30 days from the date of this letter**. After this date, the Director General of the Charities Directorate will decide whether or not to proceed with the issuance of a notice of intention to revoke the registration of PSARS in the manner described in subsection 168(1) of the *Act*.

If you appoint a third party to represent you in this matter, please notify us in writing.

If you require additional information, you may contact the undersigned at (613) 946-7536 or by fax at (613) 946-7646. You may also write to, Charities Directorate, Place de Ville, Tower A, 320 Queen Street, 6th Floor, Ottawa, Ontario, K1A 0L5.

Yours sincerely,



Claude Senecal - Audit Advisor
Compliance Division - Charities Directorate

Attachments

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Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

FEB 13 2004

REGISTERED

Your file Votre référence

Our file Notre référence

Ms. Kimberley Waldron, President
Parkinson's Support and Research Society
414 – 1550 Bedford Highway
Bedford, Nova Scotia
B4A 1E6

REG 3017250
BN 89366 3716 RR 0001

SUBJECT: Charity Tax Audit – Parkinson's Support and Research Society

Dear Ms. Waldron:

We invited you in our letter dated January 23, 2003 to submit representations as to why the Minister of National Revenue should not revoke the registration of Parkinson's Support and Research Society (the "PSARS") in accordance with subsection 168(1) of the *Income Tax Act* (the "Act"). I am writing to you in response to your letter dated April 25, 2003, and our subsequent meeting with you and your father during the week of January 12, 2004.

Our letter of January 23, 2003 explained that in order to continue to qualify for charitable registration, your organization must devote its resources to charitable activities (not solely to fund-raising), maintain adequate books and records, maintain control of official donation receipts, meet the "*Income Tax Act*" requirements of the definition of a private foundation, refrain from providing personal benefits, curb and explain unsupported cash withdrawals from the charity's bank account, and provide previously omitted governing documents.

Your response of April 25, 2003, acknowledged these deficiencies and explained that the noted issues and concerns had been rectified. We have reviewed the representations included in the letter, all corresponding supporting documentation provided thereof, previous and current charity books and records, as well as having had discussions regarding the charity's activities and methods. We must advise you that our review of your responses and the additional information does not alter our previous determination. We maintain that PSARS would still not qualify to retain its charitable registration.

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It is recognized that the foundation's mandate is the establishment of an "Adult Day Care Centre," the purpose of which is to provide a comprehensive program for the care of people suffering from Parkinson's disease as well as providing respite for their caregivers. Brochures, other information and materials describe an opening date of Fall 2002. To the present time, no such facility has been established. In addition, your letter of response indicated that your charity had been preparing architectural drawings, and tentative land arrangements, and it further stated that the charity had been involved in meetings to discuss whether or not the charity should apply for a mortgage, or rent temporary facilities. No supporting documentation or business plans have been presented to us to authenticate that these actions have occurred or that an "Adult Day Care Centre" facility can be built or will be built.

The current bank balance indicates that minimal funds have been accumulated or set aside for this venture. A review of revenues and expenditures shows that major fund-raising efforts have been the focus of the foundation since its inception in June 2001. We find it incomprehensible that minimal funds have been retained by your foundation for this venture. Based on the information we have collected about the charity's activities, the revenues raised over the life of the charity amount to just over 1 million dollars, yet as of November 30, 2003, your bank balance only amounts to \$2,020.14 with no other identifiable assets or investments. In fact, during our meeting you acknowledged the recent need to sell the charity's two vehicles in order to make payments on the office rent.

Our recent review of the charity's current expenditures demonstrates that minimal funds were expended on charitable activities. The charity's funds appear to have been used instead for personal benefits, such food and gas, an annual \$31,800 salary paid to [REDACTED] for unknown duties, continuance of unsupported Interac withdrawals (our review found \$29,000 of such withdrawals from July 2002 to November 2003), major funds transferred or being paid to third party fundraisers, and, in addition, cheques amounting to \$ 75,120 and \$ 69,200 were provided to the directors, Kim Waldron and David Waldron, respectively. In our discussions about these amounts, it was not clear whether these were loans or salaries to the directors. It should be noted that to date, no supporting documentation has been presented to substantiate these amounts nor does the submitted 2003 general ledger make any reference to these amounts. In addition, the submitted 2003 general ledger remains irreconcilable with the organization's bank accounts, and thus is incomplete.

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000368

The chart below provides our analysis of the charity's revenues and expenses since its commencement to November 30, 2003. This analysis is based on information provided by the PSARS.

Revenues		\$1,007,550	
Expenses			
Internet / Charitable Expenditures	\$9,442		0.94%
Administration & management	\$79,665		7.92%
Fundraising costs	\$658,185		65.46%
Director - David Waldron	\$69,200		6.88%
Director - Kim Waldron	\$75,120		7.47%
Wages to [REDACTED]	\$31,800		3.16%
Personal Benefits received	\$6,571		0.65%
Unsupported withdrawals	\$47,050		4.68%
Unaccountable due to incomplete 2003 G/L	\$28,497		2.83%
		<u>\$1,005,530</u>	100.00%
Charity Bank Balance as of November 30, 2003		<u>\$2,020</u>	

Our analysis of the charity's revenues and expenses clearly points to a serious lack of devotion of resources for charitable purposes and misuse of charity funds.

As previously stated, subsection 149.1(1) states that a charitable organization must devote all of its resources to charitable activities carried on by the organization itself. The *Act* reinforces this requirement in paragraph 149.1(2)(b), by authorizing the Minister to revoke the registration of a charity if it fails to make required expenditures on charitable activities carried on by it.

It is noted that PSARS's June 30, 2003, registered charity information and public information return (form T3010) remain outstanding as of the date of this letter.

Under subsection 149.1(14) of the *Act*, every registered charity is required to file a Registered Charity Information and Public Information Return, (form T3010), **without notice or demand within six months from the end of each fiscal period**. This return must be in prescribed form and contain prescribed information.

Under paragraph 168(1)(c) of the *Act*, the Minister may, by registered mail, give notice to PSARS that he proposes to revoke its registration because it fails to file an information return as and when required under the *Act* or its regulation.

Conclusion

For each of the reasons cited above, we conclude that PSARS would not qualify to retain its charitable registration. Therefore, under paragraph 168(1)(b) of the *Act*, the Minister of National Revenue (the "Minister"), may, by registered mail, give notice to PSARS that he proposes to revoke its registration because it ceases to comply with the requirements of the *Act* relating to its registration as such.

The consequences to a registered charity of losing its registration include:

- The loss of its tax exempt status as a registered charity which means that PSARS would become a taxable entity under Part I of the *Act* unless it qualifies as a non-profit organization as described in paragraph 149(1)(l) of the *Act*;
- Loss of the right to issue official donation receipts for income tax purposes which means that gifts made to PSARS would not be allowable as a tax credit to individual donors as provided at subsection 118.1(3) of the *Act* or as a deduction allowable to corporate donors under paragraph 110.1(1)(a) of the *Act*; and
- The possibility of a tax payable under Part V, subsection 188(1) of the *Act*.

For your reference, I have attached a copy of the relevant provisions of the *Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

If you do not agree with the facts outlined above, or if you wish to present any reasons why CCRA should not revoke the registration of PSARS in accordance with subsection 168(2) of the *Act*, we invite you to submit your representations **within 15 days from the date of this letter**. After this date, the Director General of the Charities Directorate will decide whether or not to proceed with the issuance of a notice of intention to revoke the registration of PSARS in the manner described in subsection 168(1) of the *Act*.

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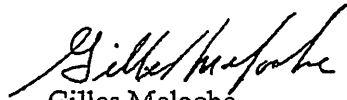
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- 5 -

If you appoint a third party to represent you in this matter, please notify us in writing.

If you require additional information, you may contact the undersigned at (613) 946-2400 or by fax at (613) 946-7646. You may also write to the Charities Directorate, Place de Ville, Tower A, 320 Queen Street, 6th Floor, Ottawa, ON K1A 0L5.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Gilles Meloche', is written over a horizontal line.

Gilles Meloche
Manager/Compliance Section
Charities Directorate

Attachment

000371