



REGISTERED MAIL

Phoenix Community Works Foundation  
344 Bloor Street West, Suite 505  
Toronto, Ontario M5S 3A7

JAN 19, 2009

BN: 13096 2277 RR0001  
File #: 0421222

Attention: Mr. Larry J. Rooney

**Subject: Notice of Annulment of Registration of  
Phoenix Community Works Foundation**

Dear Mr. Rooney:

I am writing further to our letter dated July 10, 2008 (copy enclosed), in which you were invited to submit representations as to why the Minister of National Revenue (the "Minister") should not annul the registration of Phoenix Community Works Foundation (the "Foundation") in accordance with subsection 149.1(23) of the *Income Tax Act* (the "ITA").

We have now reviewed and considered the written response dated September 11, 2008 (copy without attachments enclosed) from your authorized representative Mr. Robert McMechan. However, notwithstanding your reply, our concerns with respect to the Foundation's non-compliance with the requirements of the ITA for registration as a charity have not been alleviated. Our position is fully described in Appendix "A" attached.

**Conclusion:**

The audit conducted by the Canada Revenue Agency (the "CRA"), identified that Phoenix Community Works Foundation (the "Foundation") was not established for exclusively charitable purposes and has undertaken a varied and incohesive series of non-charitable activities in pursuit of those purposes. As such, it is the CRA's view that the Foundation's registration was granted in error as it did not at the time, and has not since the time of its registration, operated in an exclusively charitable manner. Where charitable registration has been granted in error, the appropriate course of action is annulment of the registration of the Foundation with the consequences described in this letter.

However, it continues to be the CRA's view that were annulment not the most appropriate course of action, that is, that if the organization had not been registered in error, the grounds contained herein would certainly warrant the revocation of the Foundation's registration.

In support of grounds for revocation, it is the CRA's view that the primary or collateral purpose of the Foundation is to further a tax shelter donation arrangement. During the period September 1, 2004 to August 31, 2006, the Foundation's predominant activity was to receive funds and issue receipts on behalf of a tax shelter arrangement. The Foundation issued over \$56.5 million in donation receipts for money received from participants in the tax shelter. From this amount, it paid over \$600,000 in fundraising expenses, transferred more than \$55.4 million to another participating Canadian registered charity and was entitled to retain a meagre 1% or \$565,000 of monies so received. CRA audits also revealed that substantially all of the monies "donated" to the Foundation were returned to the promoters of the tax shelter arrangement – a fact clearly facilitated by the Charity's role of receiving and receipting "donations" and, once received in its accounts, transferring 99% of the monies as per the promoters' instructions.

Consequently, for each of the reasons mentioned in our letter dated July 10, 2008, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(23) of the ITA, which has been delegated to me, we have annulled the registration of Phoenix Community Works Foundation effective the date of this letter.

The balance of this letter describes the consequences of annulment.

### Consequences of Annulment

As of the date of this letter:

- a) the Foundation **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Foundation would not be allowable as tax credits to individual donors or as allowable deductions for corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the ITA, respectively. Subsection 149.1(24) of the ITA allows receipts issued by the Foundation on or before the annulment, to be valid;
- b) the Foundation will no longer be exempt from Part I Tax under the ITA as a registered charity, but may otherwise qualify for such exemption. The Foundation should consult with its local tax services office in this regard;
- c) the Foundation will not be required to pay tax on its assets as described in subsection 188(1.1) of the ITA as its registration has been annulled and not revoked. For your reference, a copy of the relevant provisions of the ITA that apply to the annulment of a registered charity as well as appeals against annulment, can be found in Appendix "B", attached; and
- d) the Foundation will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (the "ETA"). As a result, the Foundation 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).

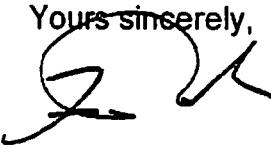
**Appeal procedure**

Should you wish to appeal this Notice of Annulment 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  
25 Nicholas Street  
Ottawa ON K1A 0L5

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 prescribed form, containing prescribed information, for each taxation year. The *Return of Income* must be filed without notice or demand.

I trust the foregoing fully explains our position.

Yours sincerely,  


Terry de March  
Director General  
Charities Directorate

**Attachments:**

- CRA letter dated July 10, 2008
- Your response (without attachments) dated September 11, 2008;
- Appendix "A", Comments on Representations; and
- Appendix "B", Relevant provisions of the Act.

CC:



**REGISTERED MAIL**

Phoenix Community Works Foundation  
344 Bloor Street West, Suite 505  
Toronto, Ontario M5S 3A7

BN: 13096 2277 RR0001  
File #: 0421222

Attention: Larry J. Rooney

July 10, 2008

**Subject: Audit of Phoenix Community Works Foundation ("PCWF")**

Dear Mr. Rooney:

This letter is further to the audit of the books and records of Phoenix Community Works Foundation (the "Charity") by the Canada Revenue Agency (the "CRA"). The audit related to the operations of the registered charity for the period from September 1, 2004 to August 31, 2006.

The results of this audit indicate that the Charity appears to be in contravention of certain provisions of the *Income Tax Act* (the "ITA") or its Regulations. The CRA has identified specific areas of non-compliance with the provisions of the ITA or its Regulations in the following areas:

<b>AREAS OF NON-COMPLIANCE:</b>	
<b>Issue</b>	<b>Reference</b>
1. Annulment	149.1(23)
2. Charitable Purposes	168(1)(b)
3. Gifts	118.1
4. Disbursement quota	149.1(2)

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 address our concerns. 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 *ITA*.

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

**1. Annulment of Registration:**

Based on our review, it is our preliminary view that the Charity is not established and operated for exclusively charitable purposes, nor does it restrict itself to exclusively charitable activities in pursuit of those purposes. It appears that the Charity has been established and operated as such since its initial registration and may have been registered in error. In this regard, there may be grounds for the annulment of the Charity's registration in accordance with section 149.1(23) of the *Income Tax Act*.

During the application process the Charity explained that its purposes were phrased in a broad manner in order to allow the "necessary scope to carry out the range of activities it might wish to embark upon." Indeed, the purposes contained in the Charity's Letters Patent, issued on August 29, 1967 under the *Ontario Corporations Act*, are broad and vague in nature. As such, they fail to necessarily confine the Charity to conducting charitable activities and to clearly define the scope activities to be carried out. Purposes lacking these essential characteristics are not charitable in law, as they allow for programs that may well exceed the bounds of charity.

For example, the Charity was established, in part, for the purposes of fostering research and educational programs, and promoting and conducting studies in the areas of creativity, human environment, communal living, and emotional behaviour and development. Words such as "foster" and "promote" lack the degree of certainty and clarity required to restrict the Charity to exclusively charitable activities, and do not necessarily express direct or tangible charitable relief<sup>1</sup>.

Nonetheless, we have examined the Charity's purposes under the potentially applicable heading of advancing education, and are unable to conclude them to be charitable in the legal sense. In the charitable context, advancement of education has been interpreted by the courts to mean training the mind, advancing the knowledge or abilities of the recipient, raising the artistic taste of the community, or improving a useful branch of human knowledge through research.

Research in the charitable sense can generally be defined as the systematic investigation into, and study of, materials and sources on any non-frivolous subject. To be charitable, the subject matter of the research must be useful and the research undertaken in such a way that it is likely knowledge will be discovered or improved. An organization must show that the subject of the research is capable of adding to the store

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<sup>1</sup> The requirement for tangibility stems from the need to have a benefit that is recognizable, or capable of being proved: see generally, *Gilmour v. Coats et al.*, [1949] 1 All E.R. 848.

of human knowledge<sup>2</sup>. Accordingly, gathering existing facts for presentation is not charitable unless the facts are reassembled in a way that brings new knowledge to light.

Based on our examination, the Charity has not evidenced the existence of any proposed or actual research activities meeting the above specified requirements. As a result, we are unable to conclude that the Charity advances education as so defined.

Even were the Charity in a position to satisfy the above concerns, substantive issues remain with respect to the manner in which the Charity has been operating.

During the application process, the Charity indicated that the precise nature of the projects it would carry on and fund were difficult to determine. As a result of continued questioning by the Charities Directorate, the Charity then identified its anticipated activities as:

- the provision of facilities, food and lodging to a group of artists to determine whether living collectively would stimulate individual creativity;
- funding and assisting in presenting a seminar;
- the provision of resources to Therafields Environmental Centre;
- a research project concerning the psychological stress of the unemployed, and studies on chronic financial disability (without specification of details such research plans or methodology); and
- an undefined plan to "address itself to the understanding and alleviation of the most crucial social, cultural and economic problems of our day" in areas such as family, exceptional people, and alternate life styles.

Seven years after becoming registered, the Charity submitted a letter to the Charities Directorate stating that it "has not to date taken on a project of the scope and duration of the one discussed with you." Instead, by its own description, the Charity published the writings of Lea Hindley Smith, held craft fairs where goods were sold, sponsored "a family of boat people", and launched an organic farming and gardening project with the intent to make organically grown food available at competitive prices.

In 1990, the Foundation wrote again, indicating that the scope of its projects had changed to: maintaining an annual poetry prize and an annual memorial fund; providing grants to charities and other organizations; holding a psychoanalytic theory conference; and engaging in a project with another organization for the purpose of exposing people to other cultures, allowing participation in work projects with local residents, and developing tolerance and interpersonal relationships. In a follow-up telephone call, the Charity's description of its activities differed further. In this conversation, a representative of the charity "said the organization is primarily involved in training

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<sup>2</sup> *McGovern v. A-G* [1982] Ch 321, 353, *Re Besterman's Will Trusts* (1980) Times, 22 January (21 January 1980, unreported), *Vancouver Society v. M.N.R.*, *supra*, footnote 2, paragraph 161 and 171, *Incorporated Council of Law Reporting for England and Wales v. Attorney General and Others* [1972] Ch 73 [1971] 3 All E.R. 1029 at 1035, 1039, 1045), and *Re Pinion decd* [1965] Ch. 85 at 106-107.

groups intended to relieve or prevent despair, hopelessness resulting from environmental stress, unemployment, housing, TV violence, etc."

At present, the Charity's website lists 65 projects. Though its role in each is not clearly defined, in some cases it appears that the Charity is supporting projects of other organizations. The Charity was advised in writing, on October 17, 1990, that it had gifted funds to entities that were not qualified donees, which was a contravention of the *ITA*. In response, the Charity submitted an undertaking agreeing to gift funds exclusively to qualified donees in the future. Notwithstanding this undertaking, the Charity now appears to be supporting projects of non-qualified donees, such as The Butterfly Peace Garden, and Subtitles: On the Foreignness of Film.

With respect to the Charity's own present activities, it appears to be carrying out various non-charitable programs. For example:

- Arising, Women in Nature- dedicated to bringing women together to connect create and inspire one another;
- Council Watch Program- engaging citizens in environmental decision-making and public policy issues at City Hall;
- IDN Community Project Support program- providing a website that will serve as a tool for capacity building for those who use it;
- Green Garden Visit- helping homeowners to adopt environmentally responsible gardening and lawn care practices; and
- LEAF: Local Enhancement and Appreciation of Forests – assisting residents in one-on-one consultations in making educated decisions about the tree species that best suit their property and the location of the tree.

As explained above, the Charity's broad and vague purposes fail to sufficiently define and limit the scope of its programs, effectively allowing the Charity to pursue any activity it chooses. As illustrated in the preceding paragraphs, this is precisely how the Charity has operated since becoming registered. Not only has the Charity continuously strayed from the purposes and activities for which it was registered, a significant proportion of the activities carried out have not been charitable *per se*.

Given that its purposes were not charitable in law at the time of registration, and that the Charity has consequently failed to operate in accordance with the legal requirements pertaining to charities, it our view that the Charity should not have been registered, and its registration should therefore be annulled in accordance with section 149.1(23) of the Act. Should you disagree with this conclusion, it is alternatively our position that Charity should be revoked based on current non-compliance.

## **2. Charitable Purposes:**

The Charity is registered as a public foundation. In order to satisfy the definition of a "public foundation" pursuant to subsection 149.1(1) of the *ITA*, an organization must

be "a corporation or trust that is constituted and operated exclusively for charitable purposes".

This is a two-part test. Firstly, the purposes it pursues must be wholly charitable and secondly, 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 *ITA* 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.

It is our view, based on our review, is that the Charity does not operate for charitable purposes. In fact, the evidence on the file, as outlined below, demonstrates that the preponderance of the effort and resources of the Charity are devoted to participating in tax planning donation arrangements. Operating for the purpose of promoting a tax planning donation arrangement is not a charitable purpose at law.

The Charity has participated in the Canadian Humanitarian Trust ("CHT") tax shelter program (TS069310) in the noted fiscal periods by agreeing to accept cash from taxpayers who were also participants in the tax shelter.

The donation program effectively works as follows. First, the client makes a cash donation to a registered charitable foundation (Foundation A). Then, the client applies to World Health Initiatives ("WHI") to be considered as a "potential" Trust beneficiary of CHT. The Trust transfers title of pharmaceutical units to the client. Next, the client donates the medicine units to a second registered charitable foundation (Foundation B). After these transactions, the Foundation A issues a tax receipt for the cash donation; Foundation B issues a tax receipt for the net value of the medicine units. Finally, the medicine units are purportedly distributed to those in need. There are instructions and steps that an applicant has to follow in order to participate in the program.

The promotional material includes estimates on the Income Tax Savings Benefits for Ontario by participating in the donation program. The rate of return depends on the moment the donation is made. The earlier it is made in the year, the greater is the cash advantage. For example, if the donor gets involved in March or April, the positive return of its gift will be of 85% compare to 57% for a participant who donates in December, based on an average tax rate of 46.41%. For other provinces, the tax credit will differ slightly.

Through this tax shelter arrangement, the Charity receives cash, and in return, issues receipts for this cash. We note with concern, however, that the Charity's involvement in this arrangement is merely operating as a conduit for the identified tax shelter by lending its support and tax-receipting privileges to non-charitable purposes. In the CHT arrangement, the Charity agrees to accept cash and issues official donation receipts, as instructed by the tax shelter promoter. This money is passed to Canadian Physician for Aid and Relief ("CPAR"), via the trust lawyer as part of the Charity's involvement in this scheme. Our review has concluded that all but a small portion of the

cash (over 90%) for which the charity issued official donation receipts was returned to the promoter as fundraising fees.

The Charity has failed to demonstrate any due diligence undertaken to verify the authenticity of the donation program. The Charity relied upon the opinions of the promoters without undertaking any additional efforts to corroborate or contradict the opinions provided by persons directly associated with the tax shelter promoters. In almost all cases, the Charity has no interaction whatsoever with the donors, as this is handled entirely by the tax promoters. The Charity receives "donations", passes the funds through its accounts, but is obligated to transfer these amounts to other organizations. We note with concern that the Charity is, for the most part, not even aware of these transactions at the time of the occurrence. These transactions are processed by a trust lawyer arranged by CHT who handles the "donations" and informs the Charity after the fact what has been done with its funds. The Charity has even delegated its authority to issue tax receipts to WHI. The Charity therefore is simply informed, and takes it upon faith, of who has donated to it and what was done with its funds. Seemingly in compensation for the use of its receipts, the Charity receives a fee (a small percentage of its own donations) for its participation. All of these facts point to a pattern of active willingness to participate in schemes designed to produce inappropriate tax benefits.

Since 2004, the Charity has received only cash and has issued donation receipts for the total amount of the money that the donor has put into the program. Out of these funds, a predetermined percentage (1%) was kept by the Charity, another predetermined percentage (1% + GST) was paid directly to the promoter (WHI) as fundraising fees and most of the balance was paid to Canadian Physician for Aid and Relief ("CPAR"). This is supported by copies of contracts and agreements between WHI, the Charity, CPAR and the Trust lawyer – Jonathan J Sommer ("JJS") – giving instructions to JJS regarding how it is to disburse funds it received. Out of the funds paid to CPAR, over 90% was returned to the promoter of the tax shelter/scheme as fundraising fees. There was therefore a comparatively insignificant amount devoted to charitable purposes.

As of August 31 of 2005 and 2006, the Charity issued \$18,780,636.65 and \$37,803,705.00 in donation receipts for the money received in the trust account. From these amounts for the respective years, it had to pay \$200,952.82 and \$403,919.11 to WHI as fundraising expenses, transferred \$18,391,877.47 and \$37,021,748.88 to CPAR and was entitled to retain a meagre 1% representing \$187,806.36 and \$378,037.03 for its involvement in the program. As above, substantially all of the cash "donated" to the Charity was returned to the promoters of the tax shelter arrangement – a fact clearly facilitated by the Charity's role of receiving and receipting donations and, once received in its accounts, transferring 99% of these cash amounts per the promoters' instructions.

Given the manner in which the Charity has structured and conducts its financial activities to accommodate this tax shelter, and the proportional levels of involvement in

this arrangement<sup>3</sup>, it is our view that a collateral purpose, if not primary purpose of the organization is, in fact, to support and promote tax shelter arrangement. In this regard, it appears that the Charity used its financial resources and its tax receipting privileges to support this tax shelter arrangement, with little regard for the mandate and best interests of the Charity itself. Operating for the purpose of promoting tax shelters is not a charitable purpose at law. It is further our view, therefore, that by pursuing this non-charitable purpose, the Charity has failed to demonstrate that it meets the test for continued registration under 149.1(1) as a charitable organization "all the resources of which are devoted to charitable activities".

### **3. Gifts & Official Donation Receipts:**

It is our position that both the cash donations received by the Charity from "donor" participants are not valid gifts under section 118.1 of the *ITA*. We offer the following explanations to support our position.

**No *Animus Donadi*** - At law, a gift is a voluntary transfer of property without consideration. In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. An essential element of a gift is *animus donadi* – that the donor must be motivated by an intention to give. It must be clear that the donor intends to enrich the donee, by giving away property, and to grow poorer as a result of making the gift.

It is our view that the vast majority of the transactions involving the Charity fail to meet this latter element. The common theme, found throughout all of these transactions, is that through a series of transactions and a minimal monetary investment, "donors" profit through the tax credits so obtained. It is clear that the primary motivation of the donors is intent to profit, and, as such, these transactions fail to qualify as gifts at law.

In support of this position, we note that the promotion materials primarily focus on the significant return on investment as a result of donor participation. Minimal monetary investment is required on the participant donors. Donors give money to the Charity and, in return, receive a distribution of "valuable" medicine units from a trust. These goods are "gifted" by participants to another participant charity without using or seeing the property. The goods are typically transferred from the donors to the Charity within a few days of purchase or trust distribution. Minimal information is provided to the prospective investors as to how the "donations" will benefit the charity, or to the activities of the charity they are supporting. Transactions are pre-arranged and handled entirely by promoters or other pre-arranged third parties. Participants in these arrangements are merely expected to put forward a minimal investment to receive generous tax receipts in return.

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<sup>3</sup> According to their books, the Charity only spent \$237,312.49 on its own charitable activities in 2005 compared to \$19,566,827.49 dedicated to its participation in CHT. In 2006, \$1,004,964.54 has been spent on its own charitable activities compared to \$37,778,339.41 dedicated to its participation in CHT.

These points, in our opinion, evidence that these transactions are primarily motivated by a donor to enrich him/herself rather than an intent to make a gift to charity. As such, it is our position that there is no intention to make a "gift" within the meaning assigned at 118.1 of the *ITA*.

**Benefit received** - Additionally, we are of the opinion that the transactions themselves lack the necessary elements to be considered gifts at law. The "donors" received some form of consideration or benefit that was linked to their cash donations. It is clear, based upon our audit and the promotional materials of CHT that there was a clear expectation of return with respect to the donation made to the Charity. "Donors" received the benefit of becoming owners of medicine units and having the options to distribute them, without cost, from the trust. The donor's entitlement to receiving the units from the trust was clearly linked to and proportionate to the amount of cash donated.

In our view, it is clear that the cash transferred to the Charity were not gifts in the sense understood at law. The Charity was not entitled to issue official donation receipts for the amounts that it received. In our findings, the Charity has issued in excess of \$55 million in donation receipts for transactions that did not qualify as gifts. It is clear from our audit and the promotional materials of CHT and WHI, which the Charity engaged as fundraisers that the Charity knew, or ought to have known, that there was a clear link between what was "donated" to it and the distribution of goods the donors purportedly would receive from the trust. The Charity knew, or ought to have known, that it was not entitled to issue donation receipt for these transactions. In addition, during the course of the audit, we discovered that the directors of the Charity are also directors of another charity, Escarpment Biosphere Foundation, that we believe is involved with the same tax shelter.

It is clear that the amount paid by investors is, in effect, not a donation but the price of participation levied by the tax shelter/donation arrangement. While the payment was transferred to the Charity, this amount was not a voluntary transfer of property, without expectation of return, within the sense contemplated by the term "gift" at law as all participants expected to receive "medicine units" in return for their payments. Indeed, and as above, it is all the more disturbing that the Charity freely lent its tax receipting privileges not only for transactions that do not qualify as gifts, but for monies it was not even entitled to retain, beyond its 1% commission, substantially all of which flowed into the hands of the promoters. In our view, given that the Charity is responsible for the issuance of \$55 million in improper tax receipts, this represents an extremely serious abuse of the Charity's tax receipting privileges and the tax system as a whole.

**Application of the Proposed Legislation** – Even without reference to the common law definition of a gift, it is clear that proposed section 248(32) of the Act applies to these transactions as well. While this legislation is still proposed, once passed into law it applies to all transactions covered by the audit period under review.

In our view, the distribution from the trust is an advantage which is in consideration for the gift<sup>4</sup> or is otherwise related to the gift.<sup>5</sup> The Charity was therefore required by the Act to reduce the value reflected on the receipt by that of the advantage. There is no indication whatsoever that the Charity took these provisions into account when issuing receipts on behalf of the tax shelter arrangement.

It is also our view that the purpose of the Charity's participation in this arrangement is to facilitate the tax shelter arrangement by enabling it to avoid the application of proposed subsection 248(35). Subsection 248(35) applies to limit a taxpayer who receives property from a tax shelter arrangement to the cost of the property to the taxpayer. It is our view that the purpose of the "gift" to the Charity is to avoid the application of 248(35) by characterizing what is, in fact, a payment to receive medicine units as instead a gift to the Charity. As it is clear, in our view, that one of the purposes of this transaction is to avoid the application of 248(35) to a gift of property, that proposed subsection 248(38) also applies. As such, the value of the gift is deemed, according to the Act, to be nil and the Charity was not entitled to issue tax receipts for any of the payments made to it.

#### **4. Disbursement quota:**

In this arrangement, all the money donated to the Charity for the CHT program is received by the Trust lawyer. Then, the Charity must, as a condition of its participation transfer approximately 98% of the cash received in its name to CPAR (which represents \$19,566,827.49 in 2005 and \$37,778,339.41 in 2006). In our view, these cash "gifts" made by the Charity are, in fact not gifts. First, these fail to meet the definition of a gift as they lack an element of voluntariness. Second, these funds are not in fact given, free and clear, for the use of CPAR, but as a part of the same overall arrangement are earmarked to be paid to the promoter as fundraising fees. Therefore, the Charity is not spending sufficient funds towards its disbursement quota. Also, the Charity has indicated on its 2006 Charity Information Return to have received specified gifts for a total of \$418,012 which removes this amount from inclusion for disbursement quota purposes. During the audit, we found no indication that the Charity has actually received this amount as a "specified gift" for income tax purposes. This further exacerbates this disbursement quota shortfall.

#### **The Charity's Options:**

##### **a) No Response**

You may choose not to respond. In that case, the Director General of the Charities Directorate may issue a Notice of Intention to Revoke or a Notice of

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<sup>4</sup> See proposed sub-paragraph 248(32)(a)(i)

<sup>5</sup> See proposed sub-paragraph 248(32)(a)(iii)

Annulment of the registration of the Charity in the manner described in subsection 168(1) or 149.1(23) respectively of the *ITA*.

**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.

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,



Eric Gauthier  
Audit advisor  
Charities Directorate

Telephone: 613-946-9117  
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