



REGISTERED MAIL

Mr. Dennis Barbour
Treasurer
White Fields Missionary Society
Post Office Box 452
Coaldale AB T1M 1M5

BN: 119297208R0001
File #:0289132

NOV 20 2017

**Subject: Notice of Intention to Revoke
White Fields Missionary Society**

Dear Mr. Barbour:

We are writing further to our letter dated January 3, 2017 (copy enclosed), in which you were invited to submit representations as to why the registration of White Fields Missionary Society (the Organization) should not be revoked in accordance with subsection 168(1) of the *Income Tax Act* (Act).

We have now reviewed and considered your representative's written response dated March 3, 2017 (copy attached). However, notwithstanding your reply, our concerns with respect to the Organization's non-compliance with the requirements of the Act for registration as a charity have not been alleviated. Our position is further described in Appendix A attached.

Conclusion

The audit by the Canada Revenue Agency (CRA) has revealed that the Organization is not complying with the requirements set out in the Act. In particular, it was found that the Organization did not maintain direction and control over the use of its resources and failed to carry out its own charitable activities, gifted funds to a non-qualified donee in contravention of the Act, and failed to maintain adequate books and records. For all of these reasons, and for each reason alone, it is the position of the CRA that the Organization no longer meets the requirements necessary for charitable registration and should be revoked in the manner described in subsection 168(1) of the Act.

Consequently, for each of the reasons mentioned in our letter dated January 3, 2017, we wish to advise you that, pursuant to subsection 168(1) and 149.1(2) of the Act, we propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, revocation will be effective on the date of publication of the following notice in the *Canada Gazette*:

Canada

Notice is hereby given, pursuant to paragraphs 168(1)(b) 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.

Business number	Name
119297208RR0001	White Fields Missionary Society Coaldale AB

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

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

Notwithstanding the filing of an objection, a copy of the revocation notice, described above, will be published in the Canada Gazette after the expiration of **30 days** from the date this letter was mailed. The Organization's registration will be revoked on the date of publication.

A copy of the relevant provisions of the Act concerning revocation of registration, including appeals from a notice of intent to revoke registration can be found in Appendix A, attached.

Consequences of revocation

As of the effective date of revocation:

- a) the Organization will no longer be exempt from Part I tax as a registered charity and will no longer be permitted to issue official donation receipts. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the Act, respectively;
- b) by virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the notice of intention to revoke. This revocation tax is calculated on prescribed Form T2046, Tax Return Where Registration of a Charity is Revoked (the Return). The Return must be filed;

and the tax paid, on or before the day that is one year from the date of the notice of intention to revoke. The relevant provisions of the Act concerning the tax applicable to revoked charities can also be found in Appendix "A". Form T2046 and the related Guide RC-4424, Completing the Tax Return Where Registration of a Charity is Revoked, are available on our website at canada.ca/en/revenue-agency/services/charities-giving/charities;

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

Finally, we wish to advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a return of income with the Minister in the prescribed form, containing prescribed information, for each taxation year. The return of income must be filed without notice or demand.

Yours sincerely,

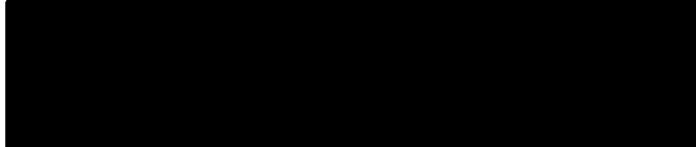


Tony Manconi
Director General
Charities Directorate

Attachments:

- CRA letter dated January 3, 2017
- Organization's representations dated March 3, 2017
- Compliance agreement dated July 22, 2010
- Appendix A: Comments on representations
- Appendix B: Relevant Provisions of the *Income Tax Act*

c.c.:



Place de Ville, Tower A
320 Queen Street, 5th Floor
Ottawa ON K1A 0L5

Appendix A

Comments on representations - White Fields Missionary Society

The audit conducted by the Canada Revenue Agency (CRA) identified that White Fields Missionary Society (the Organization):

- Failed to carry out its own charitable activities and lacked direction and control over the use of its resources;
- Gifted funds to a non-qualified donee in contravention of the Act; and
- Failed to maintain adequate books and records.

For each of these reasons, we maintain our position that the non-compliance issues identified during our audit represent a serious breach of the requirements of the *Income Tax Act* (Act). Furthermore, upon review of the Organization's representations dated March 3, 2017, it remains our opinion that the Organization's charitable registration should be revoked.

Repeated non-compliance

This is the Organization's second audit, in which we found that the same or similar issues of non-compliance are present. During the previous audit, the CRA provided the Organization with the opportunity to address these areas of non-compliance by entering into a Compliance Agreement with CRA, signed July 22, 2010 (copy attached).

The prior audit, conducted for fiscal periods 2003 and 2004, revealed that the Organization failed to devote its resources to charitable activities, failed to maintain direction and control over the use of its resources as well as the conduct of activities, and failed to maintain adequate books and records. In addition, due to its lack of direction and control over its charitable resources, the Organization was deemed to have gifted funds to a non-qualified donee, [REDACTED] a US registered charity.

The Organization's board of directors has a fiduciary duty to the charity, which includes the duty to follow the laws and rules of charities. Dennis Barbour and Donald King were members of the board of directors prior to, and during, the time of the previous audit; they are also currently board members of the Organization. At the conclusion of the previous audit, which resulted in a Compliance Agreement, current board members were made aware of both the non-compliance issues and the corrective measures that were required for the Organization to become compliant with the requirements of the Act. In this regard, we note Donald King signed the Compliance Agreement with the CRA on July 22, 2010.

By entering into a Compliance Agreement with the Organization, the CRA provided the Organization an opportunity to address our non-compliance concerns, including specific directions. The Organization did not take this opportunity to implement internal policies

and procedures to ensure that it operated in compliance with its obligations as a registered charity.

The Organization has not demonstrated its ability to become compliant with the requirements of the Act, despite its previous assurances of this nature. As such, the continued contravention of the rules and regulations constitute grounds for the revocation of its charitable status.

Please find below:

- A summary of the issues raised by the CRA in our letter to White Fields Missionary Society dated January 3, 2017;
- The Organization's representations provided by [REDACTED] on March 3, 2017; and
- The CRA's conclusions.

Failure to carry out its own charitable activities/Lack of direction and control over the use of the Organization's resources

Our previous letter advised that a registered charity must maintain direction and control over the substantive charitable activities that are ostensibly being carried out on its behalf, including documented direction and control over the use of its resources by third parties. Within this letter, we described the requirements of maintaining direction and control in the case of both joint venture relationships and intermediary relationships. We also provided details regarding the deficiencies of the Organization's maintenance of direction and control in relation to its interactions with [REDACTED] and the various intermediaries carrying out activities outside Canada.

During the previous audit, the Organization signed a Compliance Agreement on July 22, 2010. One of the corrective measures the Organization formerly agreed to was that it will devote its resources to charitable activities carried out by the Organization itself, and that it will maintain direction and control over its resources and charitable activities. The Organization agreed to enter into structured arrangements in the form of a revised Joint Venture Agreement, Field Director Contracts, and Church Planter Working Agreements.

The Organization had entered into a joint venture agreement with [REDACTED] a U.S. 501(3)(c) registered charity (i.e., not a qualified donee according to the Act), effective October 28, 2004. However, the Organization agreed to revise the joint venture agreement as follows:

- Clause 5.2 Financial Statements - add the following sentence: Financial statements shall list each co-venturer's contribution
- Clause 6.5 Assignment - delete the word **and** on line two and replace it with **the**, and add the word **consent** on line three after the word **written**

The revised joint venture agreement was effective August 1, 2010, and in it the Organization agreed to establish a joint venture known as White Fields Inc. [REDACTED] to carry out the activity of providing start-up financial support and training for foreign pastors planting churches in their own countries.

The current audit revealed that while the Organization did make the changes requested in the Compliance Agreement, overall the terms of the agreement fail to demonstrate that the Organization exercised adequate direction and control over the funds it contributed to the joint venture and/or over the activities carried on with such funds. Specifically:

- The revised joint venture agreement does not outline the specific activities to be undertaken with the resources of the Organization;
- The revised joint venture agreement did not identify the contribution, role and involvement of each co-venturer; and
- The Organization did not establish that its share of authority and responsibility in long-term planning, day-to-day decision-making, and financial commitments, was at least proportional to the level of funding it provided to the projects.

Further to these deficiencies, we have been provided with little evidence that the Organization and [REDACTED] operate as a joint venture. The existence of a written joint venture agreement is not enough in and of itself to prove that the relationship exists as such. The charity must be able to demonstrate that the terms of the agreement establish a real, ongoing, active relationship within the joint venture, and that the terms of the agreement are actually implemented.

The audit revealed that the Organization failed to implement a number of the terms of the revised joint venture agreement. For example, clause 4.2 states that "Copies of all minutes, annual reports, audit reports and other documentation as required shall be forwarded as available to [the Organization]" and clause 4.3 states "This annual report will include...a summary of all church planters supported by [REDACTED] and [the Organization], financial statements, proof of payments and disbursements and other information as requested by the board of [the Organization]". However, these terms were not implemented, as evidenced by the lack of books and records made available to the auditor. These documents were not available for review, as the Organization was not maintaining them as requested in the previous audit and as stipulated by the revised joint venture agreement.

Further, with respect to its relationships with intermediaries, the audit revealed that the Organization failed to maintain direction and control over its portion of the resources that were transferred to intermediaries in the countries in which it operates. The Organization was unable to provide documentation to support that the funds transferred overseas were used in its own charitable activities. While the Compliance Agreement signed by the Organization indicated that it would enter into structured Field Director Contracts and Church Planter Working Agreements, there were no Field Director

Contracts and the Church Planter Working Agreements did not sufficiently demonstrate that the Organization would maintain direction and control over its resources and that the activities being carried out were actually its own. Additionally, there were no financial or program reports from the field directors to explain how the Organization's funds were being spent.

The following summarizes the Organization's March 3, 2017, response to our letter:

- A revised Joint Venture Agreement has been created that shows the Organization exercises the required direction and control over its resources and also includes the following:
 - All activities undertaken by the venture are to be mutually agreed upon by each of the parties.
 - It establishes a Management Committee of four representatives, two being appointed by each party to the agreement.
 - At least four meetings a year are required of the Management Committee.
 - It sets out the percentage voting based on the contributions each party to the activities undertaken.
 - A budgeting process will be undertaken and financial reports and statements will be provided on a regular basis.
- A draft Agent Agreement was created for the overseas Field Directors to ensure the field directors are acting under the direction and control of the joint venture.

The Organization's proposal in its March 3, 2017, response to implement a new agreement does not resolve the audit's findings that it did not maintain direction and control over its resources or carry on its own charitable activities. In particular, we note the Organization has had two previous Joint Venture Agreements, the terms of which it has previously failed to implement. For example, during the prior audit the Organization agreed to take the corrective measurement of implementing Field Director Contracts (Agent Agreements) to maintain the direction and control of resources and activities conducted through intermediaries overseas. However, the Field Director Contracts were not created.

As the Organization failed to maintain adequate direction and control over the use of its charitable resources, it is our view that the Organization fails to meet the requirements of subsection 149.1(1) of the Act. Specifically, it has failed to devote all its resources to charitable activities carried on by the Organization itself as required for charitable organizations. For this reason, it remains our position that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

Made a disbursement by way of a gift, other than a gift made to a donee that is a qualified donee at the time of the gift

Our previous letter stated that the Act allows a registered charity to carry out its charitable purposes inside and outside Canada in only two ways: it can make gifts to

other organizations that are on the list of qualified donees set out in the Act, and it can carry on its own charitable activities under its own direction and control.

The audit revealed that in fiscal periods 2013 and 2014, the Organization transferred substantially all (i.e., \$370,390 or 97.4%) of its total annual income to [REDACTED] a non-qualified donee, which is in contravention of the Act. Furthermore, on its T3010's, the Organization reported its gifts to [REDACTED] as gifts to qualified donees (\$197,676 in 2014; \$172,714 in 2013). In fact, the audit revealed that no gifts were made to qualified donees.

Similar non-compliance was identified during the prior audit. The Organization was advised in the prior audit of fiscal years 2003 and 2004 that it was transferring funds to a non-qualified donee, namely [REDACTED] and that this was in contravention of the Act. Following this audit, the Organization signed a Compliance Agreement, specifically agreeing to provide gifts only to qualified donees.

The following summarizes the Organization's March 3, 2017, response to our letter:

- The Organization told its representative that Canadian representation had been on the Board of [REDACTED] but it now understands the problems associated with the structure implemented in the 2010 Joint Venture Agreement.
- The representative states that the Canadian board members to the joint venture have actively participated in the selection of projects.
- A meeting (conference call) was held with the Canadian board members, executive director, and some US board members and during this time they discussed the perception that the Canadian Organization is acting as a conduit to support the activities of a non-qualified donee.
- As a result of the meeting, the two parties agreed to enter into a revised Joint Venture Agreement that clearly demonstrates how the Canadian parties exercise the appropriate level of direction and control over its resources.

The Organization's response did not alleviate our concerns. During the current audit, the Organization was unable to provide substantive documentation to demonstrate that it maintained direction and control over the funds it sent to [REDACTED]. As a result, we could not confirm that the funds transferred were applied to its own charitable activities.

The Organization continued to issue gifts to a non-qualified donee in contravention of the Act. This demonstrates its failure to implement the corrective measure concerning funding only qualified donees, which the Organization agreed to in its 2010 Compliance Agreement. It is our view that the Organization has failed to meet the requirements of paragraph 149.1(2)(c) of the Act. Specifically, it has failed to devote all its resources to charitable activities carried on by the Organization itself or by gifting to qualified donees. For this reason, it remains our position that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

Failure to maintain adequate books and records

Our previous letter detailed the requirements of registered charities to maintain sufficient books and records and described the non-compliance issues revealed during the audit.

As per the Compliance Agreement signed by the Organization during the prior audit, the Organization agreed to maintain the following information/documentation:

- a) Copies of all contracts with third party agents, fundraisers etc.
- b) An official donation receipt listing, which can be reconciled to other source documents, such as the ledger and bank deposit slips.
- c) Detailed minutes fully reflecting discussion and operations regarding the organization's programs and activities.
- d) Wire transfers including proper authorization by the organization to transfer funds.
- e) All income and expenditure invoices, receipts and vouchers.
- f) All correspondence, including annual written reports, detailing the services provided by the agent on behalf of the organization.
- g) Quarterly written reports of all transactions with respect to the disbursement of funds.

Our review revealed that the only corrective measure the Organization took with respect to the above was to create an official donation receipt listing. However, the following non-compliance issues were identified during the current audit:

- The Organization did not keep any records or source documents for fundraising revenues and expenses.
- The minute book indicated the meetings were one sided, with the Organization required to provide annual budgets and financial commitments, and [REDACTED] providing limited financial information. In addition, none of [REDACTED] documents were made available in the Organization's records. There was very limited discussion of overseas activities in the minutes. It was necessary to go to the [REDACTED] website to determine the programs and activities.
- Once the Organization wire transferred funds to [REDACTED] it had little direction or control over where the funds were sent and who received them. The audit revealed that the list of the Organization's funds distributed in 2014 did not match the amount of the Organization's funds wire transferred from [REDACTED] to foreign Field Directors.
- Invoices for expenditures were not maintained.
- There are no Field Director Contracts. Although there is brief mention of programs and activities in the meeting minutes, these are presented by [REDACTED], Executive Director [REDACTED] and the reports (or even copies of reports) are not kept with the Organization's records.
- Quarterly reports were not provided or kept in the Organization's records.

In its response, the Organization indicated that it is aware of the books and records documentation required to be maintained, as detailed in our letter, and steps are being undertaken to ensure there is compliance in the future.

The Organization's response did not alleviate our concerns. As such, it remains our position that the Organization failed to maintain adequate books and records in accordance with the Act. We also note the Organization did not adequately address this area of non-compliance since its last audit, completed in 2010. As a result, it is our view that the Organization has failed to meet the requirements of subsections 230(2) and 230(4) of the Act. Under paragraph 168(1)(e) of the Act, the registration of a charity may be revoked if it fails to comply with or contravenes subsections 230(2) and 230(4) of the Act dealing with books and records. It is our view that the present case consists of material non-compliance and for this reason, it is our position that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

APPENDIX B
Relevant Provisions of the *Income Tax Act*

Section 149.1 Qualified Donees

149.1(2) Revocation of registration of charitable organization

The Minister may, in the manner described in section 168, revoke the registration of a charitable organization for any reason described in subsection 168(1) or where the organization

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the organization's disbursement quota for that year; or
- (c) makes a disbursement by way of a gift, other than a gift made
 - (i) in the course of charitable activities carried on by it, or
 - (ii) to a donee that is a qualified donee at the time of the gift.

149.1(3) Revocation of registration of public foundation

The Minister may, in the manner described in section 168, revoke the registration of a public foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (b.1) makes a disbursement by way of a gift, other than a gift made
 - (i) in the course of charitable activities carried on by it, or
 - (ii) to a donee that is a qualified donee at the time of the gift;
- (c) since June 1, 1950, acquired control of any corporation;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities; or
- (e) at any time within the 24 month period preceding the day on which notice is given to the foundation by the Minister pursuant to subsection 168(1) and at a time when the foundation was a private foundation, took any action or failed to expend amounts such

that the Minister was entitled, pursuant to subsection 149.1(4), to revoke its registration as a private foundation.

149.1(4) Revocation of registration of private foundation

The Minister may, in the manner described in section 168, revoke the registration of a private foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on any business;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (b.1) makes a disbursement by way of a gift, other than a gift made
 - (i) in the course of charitable activities carried on by it, or
 - (ii) to a donee that is a qualified donee at the time of the gift;
- (c) has, in respect of a class of shares of the capital stock of a corporation, a divestment obligation percentage at the end of any taxation year;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities.

149.1(4.1) Revocation of registration of registered charity

The Minister may, in the manner described in section 168, revoke the registration

- (a) of a registered charity, if it has entered into a transaction (including a gift to another registered charity) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the expenditure of amounts on charitable activities;
- (b) of a registered charity, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered charity to which paragraph (a) applies was to assist the other registered charity in avoiding or unduly delaying the expenditure of amounts on charitable activities;
- (c) of a registered charity, if a false statement, within the meaning assigned by subsection 163.2(1), was made in circumstances amounting to culpable conduct, within the meaning assigned by that subsection, in the furnishing of information for the purpose of obtaining registration of the charity;
- (d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those taxation years, an amount that is less than the

fair market value of the property, on charitable activities carried on by it or by way of gifts made to qualified donees with which it deals at arm's length; and

(e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever.

Section 168:

Revocation of Registration of Certain Organizations and Associations

168(1) Notice of intention to revoke registration

The Minister may, by registered mail, give notice to a person described in any of paragraphs (a) to (c) of the definition "qualified donee" in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

- (a) applies to the Minister in writing for revocation of its registration;
- (b) ceases to comply with the requirements of this Act for its registration;
- (c) in the case of a registered charity or registered Canadian amateur athletic association, fails to file an information return as and when required under this Act or a regulation;
- (d) issues a receipt for a gift otherwise than in accordance with this Act and the regulations or that contains false information;
- (e) fails to comply with or contravenes any of sections 230 to 231.5; or
- (f) in the case of a registered Canadian amateur athletic association, accepts a gift the granting of which was expressly or implicitly conditional on the association making a gift to another person, club, society or association.

168(2) Revocation of Registration

Where the Minister gives notice under subsection 168(1) to a registered charity or to a registered Canadian amateur athletic association,

(a) if the charity or association has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing of the notice, publish a copy of the notice in the Canada Gazette, and

(b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing of the notice, or after the expiration of such extended period from the day of mailing of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice in the Canada Gazette,

and on that publication of a copy of the notice, the registration of the charity or association is revoked.

168(4) Objection to proposal or designation

A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

- (a) in the case of a person that is or was registered as a registered charity or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(2) to (4.1), (6.3), (22) and (23);
- (b) in the case of a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.2) and (22); or
- (c) in the case of a person described in any of subparagraphs (a)(i) to (v) of the definition "qualified donee" in subsection 149.1(1), that is or was registered by the Minister as a qualified donee or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.3) and (22).

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

Where the Minister

(a) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.2) and (22) and 168(1) by the Minister, to a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for registration as a registered Canadian amateur athletic association, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(a.1) confirms a proposal, decision or designation in respect of which a notice was issued by the Minister to a person that is or was registered as a registered charity, or is an applicant for registration as a registered charity, under any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) and 168(1), or does not confirm or vacate that proposal, decision or designation within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal, decision or designation,

(a.2) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.3), (22) and 168(1) by the Minister, to a person that is a person described in any of subparagraphs (a)(i) to (v) of the definition "qualified donee" in subsection 149.1(1) that is or was registered by the Minister as a qualified donee or is an applicant for such registration, or does not confirm or vacate that proposal or

decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(b) refuses to accept for registration for the purposes of this Act any retirement savings plan,

(c) refuses to accept for registration for the purposes of this Act any profit sharing plan or revokes the registration of such a plan,

(d) [Repealed, 2011, c. 24, s. 54]

(e) refuses to accept for registration for the purposes of this Act an education savings plan,

(e.1) sends notice under subsection 146.1(12.1) to a promoter that the Minister proposes to revoke the registration of an education savings plan,

(f) refuses to register for the purposes of this Act any pension plan or gives notice under subsection 147.1(11) to the administrator of a registered pension plan that the Minister proposes to revoke its registration,

(f.1) refuses to accept an amendment to a registered pension plan,

(g) refuses to accept for registration for the purposes of this Act any retirement income fund,

(h) refuses to accept for registration for the purposes of this Act any pooled pension plan or gives notice under subsection 147.5(24) to the administrator of a pooled registered pension plan that the Minister proposes to revoke its registration, or

(i) refuses to accept an amendment to a pooled registered pension plan,

the person described in paragraph (a), (a.1) or (a.2), the applicant in a case described in paragraph (b), (e) or (g), a trustee under the plan or an employer of employees who are beneficiaries under the plan, in a case described in paragraph (c), the promoter in a case described in paragraph (e.1), the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (f) or (f.1), or the administrator of the plan in a case described in paragraph (h) or (i), may appeal from the Minister's decision, or from the giving of the notice by the Minister, to the Federal Court of Appeal.

180(1) Appeals to Federal Court of Appeal

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

(a) the day on which the Minister notifies a person under subsection 165(3) of the Minister's action in respect of a notice of objection filed under subsection 168(4),

(b) [Repealed, 2011, c. 24, s. 55]

(c) the mailing of notice to the administrator of the registered pension plan under subsection 147.1(11),

(c.1) the sending of a notice to a promoter of a registered education savings plan under subsection 146.1(12.1),

(c.2) the mailing of notice to the administrator of the pooled registered pension plan under subsection 147.5(24), or

(d) the time the decision of the Minister to refuse the application for acceptance of the amendment to the registered pension plan or pooled registered pension plan was mailed, or otherwise communicated in writing, by the Minister to any person,

as the case may be, or within such further time as the Court of Appeal or a judge thereof may, either before or after the expiration of those 30 days, fix or allow.

Section 188: Revocation tax

188(1) Deemed year-end on notice of revocation

If on a particular day the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) or it is determined, under subsection 7(1) of the *Charities Registration (Security Information) Act*, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available,

- (a) the taxation year of the charity that would otherwise have included that day is deemed to end at the end of that day;
- (b) a new taxation year of the charity is deemed to begin immediately after that day; and
- (c) for the purpose of determining the charity's fiscal period after that day, the charity is deemed not to have established a fiscal period before that day.

188(1.1) Revocation tax

A charity referred to in subsection (1) is liable to a tax, for its taxation year that is deemed to have ended, equal to the amount determined by the formula

$$A - B$$

where

A

is the total of all amounts, each of which is

- (a) the fair market value of a property of the charity at the end of that taxation year,
- (b) the amount of an appropriation (within the meaning assigned by subsection (2)) in respect of a property transferred to another person in the 120-day period that ended at the end of that taxation year, or

(c) the income of the charity for its winding-up period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 as if that period were a taxation year; and

B

is the total of all amounts (other than the amount of an expenditure in respect of which a deduction has been made in computing income for the winding-up period under paragraph (c) of the description of A), each of which is

(a) a debt of the charity that is outstanding at the end of that taxation year,

(b) an expenditure made by the charity during the winding-up period on charitable activities carried on by it, or

(c) an amount in respect of a property transferred by the charity during the winding-up period and not later than the latter of one year from the end of the taxation year and the day, if any, referred to in paragraph (1.2)(c), to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

188(1.2) Winding-up period

In this Part, the winding-up period of a charity is the period that begins immediately after the day on which the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) (or, if earlier, immediately after the day on which it is determined, under subsection 7(1) of the *Charities Registration (Security Information) Act*, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available), and that ends on the day that is the latest of

(a) the day, if any, on which the charity files a return under subsection 189(6.1) for the taxation year deemed by subsection (1) to have ended, but not later than the day on which the charity is required to file that return,

(b) the day on which the Minister last issues a notice of assessment of tax payable under subsection (1.1) for that taxation year by the charity, and

(c) if the charity has filed a notice of objection or appeal in respect of that assessment, the day on which the Minister may take a collection action under section 225.1 in respect of that tax payable.

188(1.3) Eligible donee

In this Part, an eligible donee in respect of a particular charity is a registered charity

- (a) of which more than 50% of the members of the board of directors or trustees of the registered charity deal at arm's length with each member of the board of directors or trustees of the particular charity;
- (b) that is not the subject of a suspension under subsection 188.2(1);
- (c) that has no unpaid liabilities under this Act or under the *Excise Tax Act*;
- (d) that has filed all information returns required by subsection 149.1(14); and
- (e) that is not the subject of a certificate under subsection 5(1) of the *Charities Registration (Security Information) Act* or, if it is the subject of such a certificate, the certificate has been determined under subsection 7(1) of that Act not to be reasonable.

188(2) Shared liability — revocation tax

A person who, after the time that is 120 days before the end of the taxation year of a charity that is deemed by subsection (1) to have ended, receives property from the charity, is jointly and severally, or solidarily, liable with the charity for the tax payable under subsection (1.1) by the charity for that taxation year for an amount not exceeding the total of all appropriations, each of which is the amount by which the fair market value of such a property at the time it was so received by the person exceeds the consideration given by the person in respect of the property.

188(2.1) Non-application of revocation tax

Subsections (1) and (1.1) do not apply to a charity in respect of a notice of intention to revoke given under any of subsections 149.1(2) to (4.1) and 168(1) if the Minister abandons the intention and so notifies the charity or if

- (a) within the one-year period that begins immediately after the taxation year of the charity otherwise deemed by subsection (1) to have ended, the Minister has registered the charity as a charitable organization, private foundation or public foundation; and
- (b) the charity has, before the time that the Minister has so registered the charity,
 - (i) paid all amounts, each of which is an amount for which the charity is liable under this Act (other than subsection (1.1)) or the *Excise Tax Act* in respect of taxes, penalties and interest, and
 - (ii) filed all information returns required by or under this Act to be filed on or before that time.

188(3) Transfer of property tax

Where, as a result of a transaction or series of transactions, property owned by a registered charity that is a charitable foundation and having a net value greater than 50% of the net asset amount of the charitable foundation immediately before the transaction or series of transactions, as the case may be, is transferred before the end

of a taxation year, directly or indirectly, to one or more charitable organizations and it may reasonably be considered that the main purpose of the transfer is to effect a reduction in the disbursement quota of the foundation, the foundation shall pay a tax under this Part for the year equal to the amount by which 25% of the net value of that property determined as of the day of its transfer exceeds the total of all amounts each of which is its tax payable under this subsection for a preceding taxation year in respect of the transaction or series of transactions.

188(3.1) Non-application of subsection (3)

Subsection (3) does not apply to a transfer that is a gift to which subsection 188.1(11) or (12) applies

188(4) Transfer of property tax

If property has been transferred to a charitable organization in circumstances described in subsection (3) and it may reasonably be considered that the organization acted in concert with a charitable foundation for the purpose of reducing the disbursement quota of the foundation, the organization is jointly and severally, or solidarily, liable with the foundation for the tax imposed on the foundation by that subsection in an amount not exceeding the net value of the property.

188(5) Definitions

In this section,

“net asset amount”

« *montant de l'actif net* »

“net asset amount” of a charitable foundation at any time means the amount determined by the formula

$$A - B$$

where

A

is the fair market value at that time of all the property owned by the foundation at that time, and

B

is the total of all amounts each of which is the amount of a debt owing by or any other obligation of the foundation at that time;

“net value”

« *valeur nette* »

"net value" of property owned by a charitable foundation, as of the day of its transfer, means the amount determined by the formula

$$A - B$$

where

A

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

B

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

189(6) Taxpayer to file return and pay tax

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

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

189(6.1) Revoked charity to file returns

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

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

189 (6.2) Reduction of revocation tax liability

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

(a) the amount, if any, by which

(i) the total of all amounts, each of which is an expenditure made by the charity, on charitable activities carried on by it, before the particular time and during the period (referred to in this subsection as the "post-assessment period") that begins immediately after a notice of the latest such assessment was sent and ends at the end of the one-year period

exceeds

(ii) the income of the charity for the post-assessment period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 if that period were a taxation year, and

(b) all amounts, each of which is an amount, in respect of a property transferred by the charity before the particular time and during the post-assessment period to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

189(6.3) Reduction of liability for penalties

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

(a) the consideration given by the other person for the transfer, and

(b) the part of the amount in respect of the transfer that has resulted in a reduction of an amount otherwise payable under subsection 188(1.1).

189 (7) Minister may assess

Without limiting the authority of the Minister to revoke the registration of a registered charity or registered Canadian amateur athletic association, the Minister may also at

any time assess a taxpayer in respect of any amount that a taxpayer is liable to pay under this Part.



REGISTERED MAIL

Mr. Dennis Barbour
Treasurer
White Fields Missionary Society
Post Office Box 452
Coaldale AB T1N 1M5

BN: 11929 7208 RR0001
File #:289132

January 3, 2017

Subject: Audit of White Fields Missionary Society

Dear Mr. Barbour:

This letter is further to the audit of the books and records of the White Fields Missionary Society (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from January 1, 2013, to December 31, 2014.

The CRA has identified specific areas of non-compliance with the provisions of the *Income Tax Act* (the Act) and/or its *Regulations* in the following areas.

AREAS OF NON-COMPLIANCE		
	Issues	Reference
1.	Lack of direction and control over the use of the Charity's resources/Failure to carry out its own charitable activities	149.1(2) 168(1)(b)
2.	Made a disbursement by way of a gift, other than a gift made to a donee that is a qualified donee at the time of the gift	149.1(2)(c)(ii) 168(1)(b)
3.	Failure to maintain adequate books and records	230(2), 203(4) 168(1)(b) 168(1)(e)

The purpose of this letter is to describe the areas of non-compliance identified by the CRA during the course of the audit as they relate to the legislative and common law requirements applicable to registered charities, and to provide the Organization with the opportunity to make additional representations or present additional information.

Registered charities must comply with the law, failing which the Organization's registered status may be revoked in the manner described in section 168 of the Act.

Background

The Organization was previously audited for its fiscal periods ended December 31, 2003, and 2004. The previous audit revealed that the Organization failed to devote resources to charitable activities, failed to maintain direction and control over the use of its resources as well as the conduct of activities, and failed to maintain adequate books and records. In addition, due to its lack of direction and control over its charitable resources, the Organization was deemed to have gifted funds to a non-qualified donee, specifically [REDACTED] a US registered charity.

CRA provided the Organization with the opportunity to address these areas of non-compliance by entering into a Compliance Agreement with CRA, signed July 22, 2010. This agreement contained corrective measures for the Organization to carry out including devoting resources to charitable activities carried out by the Organization itself by maintaining ongoing direction and control over its resources and over the conduct of its charitable activities. To do this it would enter into various agreements, such as a Joint Venture Agreement, Field Director Contracts, and Church Planter's Working Agreements. The Organization agreed to maintain documentation substantiating compliance with these requirements and be able to demonstrate that all agreements were put into practice and adhered to. Finally, the Organization agreed to maintain books and records in accordance with section 230 of the Act.

Based on our current audit findings and the findings of the prior audit, we are concerned about the Organization's future compliance, particularly given its failure to remedy its areas of non-compliance in accordance with the corrective measures outlined in the agreement dated July 22, 2010.

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

Identified areas of non-compliance

1) Lack of direction and control over the use of the Charity's resources/Failure to carry out its own charitable activities

Subsection 149.1(1) of the Act defines a charitable organization, which reads in part as:

"charitable organization", at any particular time, means an organization, whether or not incorporated,

(a) all the resources of which are devoted to charitable activities carried on by the organization itself [...]

Accordingly, a charitable organization must be careful about how it carries on its activities and it must ensure that it keeps sufficient direction and control over its resources, or it could possibly be transferring money to non-qualified donees, which is not a charitable activity.

Joint Venture

Through the use of a joint venture, a registered charity is permitted to pool its resources with entities that are not qualified donees in order to establish and operate a charitable program. Joint ventures, however, are not permitted to be used as vehicles for transferring money (and other assets) to non-qualified donees. In other words, the combining of the funds of several organizations will not necessarily be legitimized by the adoption of a joint agreement.

While the individual characteristics of joint ventures will vary on a case by case basis, and while we will consider each case based on its specific facts, unless all other parties to the joint venture are qualified donees, a registered charity must be in a position to demonstrate that:

- It exercises direction and control over the resources it contributes to the venture;
- the venture as a whole carries on activities with the registered charity's resources that further its purposes;
- it does not contribute resources beyond those required to further its charitable purposes; and
- it is an active partner exercising a proportionate degree of direction and control in the venture as a whole.

The registered charity must be able to establish that its share of authority and responsibility over the venture as a whole is at least proportional to the level of resources it contributes in matters of:

- long-term planning;
- day-to-day decision-making; and,
- its own commitments and responsibilities.

With respect to the above, the Organization entered into a joint venture agreement with [REDACTED] a U.S. 501(3)(c) registered charity (i.e., not a qualified donee according to the Act), the original which was effective October 28, 2004. During the previous audit, the Organization signed a compliance agreement, of which one of the corrective measures it formerly agreed to was that it will devote its resources to charitable activities carried out by the Organization itself, and that it will maintain direction and control over its resources and charitable activities. The Organization agreed to enter into structured arrangements in the form of a revised Joint Venture Agreement, Field Director Contracts, and Church Planter Working Agreements.

The Organization also agreed to change the joint venture agreement as follows:

- Clause 5.2 Financial Statements - add the following sentence: Financial statements shall list each co-venturer's contribution
- Clause 6.5 Assignment - delete the word and on line two and replace it with the, and add the word consent on line three after the word written

The revised agreement was effective August 1, 2010, and in it the Organization agreed to establish a joint venture known as White Fields Inc. [REDACTED]

[REDACTED] to carry out the activity of providing start-up financial support and training for foreign pastors planting churches in their own countries.

The current audit revealed that while the Organization did make the changes requested in the compliance agreement, overall the terms of the agreement fail to demonstrate the Organization exercises the essential measure of direction and control over the funds it contributes to the joint venture and/or over the activities to be carried on with such funds. Specifically:

- The Agreement does not outline the specific activities to be undertaken with the resources of the Organization;
- The Agreement did not identify the contribution, role and involvement of each co-venturer; and,
- The Organization did not establish its share of authority and responsibility in long-term planning, day-to-day decision-making and financial commitments was at least proportional to the level of funding it provided to the projects.

Further to these deficiencies, we have been provided with little evidence that the Organization and [REDACTED] operate as a joint venture. The existence of a written joint venture agreement is not enough in and of itself to prove that the relationship exists as such. The charity must be able to show that the terms of the agreement establish a real, ongoing, active relationship within the joint venture, and that the terms of the agreement are actually implemented.

The audit revealed that the Organization has failed to implement a number of the terms of the Agreement. For example, clause 4.2 states that "Copies of all minutes, annual reports, audit reports and other documentation as required shall be forwarded as available to [the Organization]" and clause 4.3 states "This annual report will include...a summary of all church planters supported by [REDACTED] and [the Organization], financial statements, proof of payments and disbursements and other information as requested by the board of [the Organization]". However, these terms were not implemented, as evidenced by the lack of books and records made available to our offices during the audit. These documents were not available for review, as the Organization was not maintaining them as requested in the previous audit and as stipulated by the joint venture agreement.

Intermediary Agreements

The information provided by the Organization indicates that [REDACTED] carries out its activities through the use of intermediaries in the various countries in which it operates. Where a registered charity chooses to operate through an agent or representative (i.e., an intermediary), it must be able to substantiate, generally through documentary evidence, that it has arranged for the conduct of certain specific activities on its behalf. Again, it is not sufficient for the Organization to transfer resources to a non-qualified donee and assume that the non-qualified donee will successfully perform the Organization's charitable activities.

Though made in reference to an agency relationship, the underlying principles enunciated by the Federal Court of Appeal in *Canadian Committee for the Tel Aviv Foundation v Canada* are applicable to most intermediary arrangements:

Under the scheme of the Act, it is open to a charity to conduct its overseas activities either using its own personnel or through an agent. However, it cannot merely be a conduit to funnel donations Overseas.¹

And

Pursuant to subsection 149.1(1) of the Act, a charity must devote all its resources to charitable activities carried on by the organization itself. While a charity may carry on its charitable activities through an agent, the charity must be prepared to satisfy the Minister that it is at all times both in control of the agent, and in a position to report on the agent's activities.²

¹ *Canadian Committee for the Tel Aviv Foundation v Canada*, 2002 FCA 72 at para 30, [2002] 2 CTC 93.

² *Canadian Committee for the Tel Aviv Foundation v Canada*, 2002 FCA 72 at para 40, [2002] 2 CTC 93.

Consequently, where a registered charity undertakes an activity through an intermediary, it must be able to substantiate that it has actually arranged for the conduct of that specific activity on its behalf and has not simply made a transfer of funds to a non-qualified donee. It must be able to demonstrate that it maintains direction and control over, and is fully accountable for, the use of its resources. To this end, a charity would be expected to:

- select the activity that it will conduct with or through an intermediary based on the fact that it will further the charity's charitable purposes, and after being satisfied that the intermediary is capable of conducting the activity on the charity's behalf; and
- supervise/direct, and make significant decisions in regard to the conduct of, the activity on an ongoing basis.

To this end, the Organization is required to establish that it maintains continued direction and control over the substantive charitable activities that are ostensibly being carried out on its behalf. In this regard, the existence of an arrangement with an intermediary, written or otherwise, is not enough to prove that a charity meets the own activities test. Similar to joint venture agreements, the Organization must be able to show that the terms of any arrangement establish a real, ongoing, active relationship with the intermediary,³ and are actually implemented. For instance, the documentation should include:

- a clear, complete, and detailed description of the activity that is to be conducted, how it furthers the charitable purposes of the Organization and how it is to be carried out by the project participant on the Organization's behalf, including parameters, deliverables, milestones or goals;
- provision for real and effective monitoring and supervision of the activity, and the project participant carrying on the activity, with mechanisms for someone accountable to the Organization to give instructions about, have input into, and modify the nature or scope of, the activity on an on-going basis; and
- a requirement for the Organization to receive regular, meaningful reports as the activity progresses. To be meaningful, reporting requirements must specify issues to be covered, and when they must be submitted, to ensure the Organization has the opportunity to make significant decisions in regard to the conduct of the activity on a timely and ongoing basis.

³ See notably *Canadian Committee for the Tel Aviv Foundation v Canada*, 2002 FCA 72 at para 40, [2002] 2 CTC 93.

The audit revealed that the Organization failed to maintain direction and control over its portion of the resources that were transferred to intermediaries in the countries in which it operates. The Organization was unable to provide documentation to support that the funds transferred overseas were used in its own charitable activities. While the compliance agreement signed by the Organization indicated that it would enter into structured Field Director Contracts and Church Planter Working Agreements, there were no Field Director Contracts and the Church Planter Working Agreements did not sufficiently demonstrate that the Organization would maintain direction and control over its resources and that the activities being carried out were actually its own. Additionally, there were no financial reports from the field directors to explain how the Organization's funds were being spent.

Given that it has failed to take the required corrective measures to direct and control the use of its resources, it is our view that the Organization has failed to meet the requirements of subsection 149.1(1) of the Act. Specifically, it has failed to devote all its resources to charitable activities carried on by the Organization itself as required for charitable organizations. For this reason it appears there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

2) Made a disbursement by way of a gift, other than a gift made to a donee that is a qualified donee at the time of the gift

As discussed above, the Act permits a registered charity to carry out its charitable purposes both inside and outside Canada in only two ways: it can make gifts to other organizations that are on the list of qualified donees set out in the Act, and it can carry on its own charitable activities under its own direction and control. In contrast to the relatively passive transfer of money or other resources involved in making gifts to qualified donees, carrying on one's own activities implies that the charity is an active and controlling participant in a program or project that directly achieves a charitable purpose.

In the compliance agreement that was signed by the Organization during our previous audit, the Organization agreed that it would provide gifts only to qualified donees. Our review of the Registered Charity Information Returns (T3010) filed reveal the Organization transferred substantially all of its annual revenue to [REDACTED] (a non-qualified donee) and reported these transfers as gifts to a qualified donee. In 2013 and 2014, the Organization transferred \$370,390 or 94.74% of its total annual income to [REDACTED]
[REDACTED]

Gifting funds to a non-qualified donee is in contravention of the Act. Further, the Organization could not substantiate through documentation or other means, that it maintains the necessary control and direction over the funds to deem the expenditures

incurred for its own charitable purposes. As such, it is our view the amounts transferred to White Fields, Inc. are not expenditures incurred for charitable purposes.

Given that it has failed to take the required corrective measures agreed to in the Compliance Agreement (re: previous audit) to gift funds only to qualified donees, it is our view that the Organization has failed to meet the requirements of subsections 149.1(2)(c) of the Act. Specifically, it has failed to devote all its resources to charitable activities carried on by the Organization itself or by gifting to qualified donees. For these reasons it appears there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

3) Failure to maintain adequate books and records

Pursuant to subsection 230(2) of the Act, 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:

- a) information in such form as will enable the Minister to determine whether there are any grounds for revocation of its registration under the Act;
- b) a duplicate of each receipt containing prescribed information for a donation received by it;
- c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act."

In addition, subsection 230(4) also states "Every person required by this section to keep records and 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 a period as is prescribed;
- 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 end of the last taxation year to which the records and books of account relate."

The policy of the CRA relating to the maintenance of books and records, and books of account, is based on several judicial determinations and the law, which have held that:

- it is the responsibility of the registered charity to prove that its charitable status should not be revoked;⁴

⁴ See *Canadian Committee for the Tel Aviv Foundation*, 2002 FCA 72 at paras 26-27, [2002] 2 CTC 93.

- a registered charity must maintain, and make available to the CRA at the time of an audit, meaningful books and records, regardless of its size or resources. It is not sufficient to supply the required documentation and records subsequent thereto;⁵ and
- the failure to maintain proper books, records, and records of account in accordance with the requirements of the Act is itself sufficient reason to revoke an organization's charitable status in the case of material or repeated non-compliance.⁶

In addition to the issues identified above regarding the Organization's failure to maintain adequate books and records to support the existence, and implementation, of a joint venture, the audit demonstrated that the Organization has, in general, failed to maintain adequate books and records of account.

In the compliance agreement signed by the Organization during the prior audit, the Organization agreed to maintain the following information/documentation:

- a) Copies of all contracts with third party agents, fundraisers etc.

Our review showed the charity did not keep any records or source documents for fundraising revenues and expenses.

- b) An official donation receipt listing, which can be reconciled to other source documents, such as the ledger and bank deposit slips.

Our review showed that the Organization maintained an adequate record of the official donation receipts issued.

- c) Detailed minutes fully reflecting discussion and operations regarding the organization's programs and activities.

Our review of the minute book indicated the meetings were one sided with the Organization required to provide annual budgets and financial commitments, but the USA side providing limited financial information – and none of the USA documents were made available in the Organization's records. There was very limited discussion of overseas activities in the minutes. It was necessary to go to the [REDACTED] website to determine the programs and activities.

- d) Wire transfers including proper authorization by the organization to transfer funds.

⁵ Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72 at para 39, [2002] 2 CTC 93. Furthermore, failing to comply with the requirements of section 230 of the Act by refusing to make documents available can lead to a fine and imprisonment, in addition to the penalty otherwise provided. See subsection 238(1) of the Act.

⁶ See Prescient Foundation v MNR, 2013 FCA 120 at para 51, [2013] FCJ no 512.

Our review showed that once the Organization wire transferred funds to [REDACTED] [REDACTED], it had little direction or control over where the funds were sent and who received them. We determined the list of the Organization's funds distributed in 2014 did not match the amount of the Organization's funds wire transferred from [REDACTED] to foreign Field Directors.

- e) All income and expenditure invoices, receipts and vouchers.

Our review showed that invoices for expenditures were not maintained.

- f) All correspondence, including annual written reports, detailing the services provided by the agent on behalf of the organization.

Our review showed that there are no Field Director Contracts. There is brief mention of programs and activities operating in the meeting minutes. These are presented by [REDACTED] Executive Director of [REDACTED] but these reports (or even copies of reports) are not kept with the Organization's records.

- g) Quarterly written reports of all transactions with respect to the disbursement of funds.

Our review showed that quarterly reports were not provided or kept in the Organization's records.

Given that it has failed to take the required corrective measures to maintain adequate books and records, it is our view that the Organization has failed to meet the requirements of subsections 230(2) and 230(4) of the Act. Under paragraph 168(1)(e) of the Act, the registration of a charity may be revoked if it fails to comply with or contravenes subsection 230(2) and 230(4) of the Act dealing with books and records. It is our view that the present case consists of material non-compliance. For this reason, it is our position that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

The Organization's options:

- a) **No response**

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

b) Response

Should you choose to respond, please provide your written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter. After considering the representations submitted by the Organization, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include:

- no compliance action necessary;
- the issuance of an educational letter;
- resolving these issues through the implementation of a Compliance Agreement;
- the application of penalties and/or suspensions provided for in sections 188.1 and/or 188.2 of the Act; or
- giving notice of its intention to revoke the registration of the Organization by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

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

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers indicated below. My team leader, Francis Yu, may also be reached at 780-495-5937.

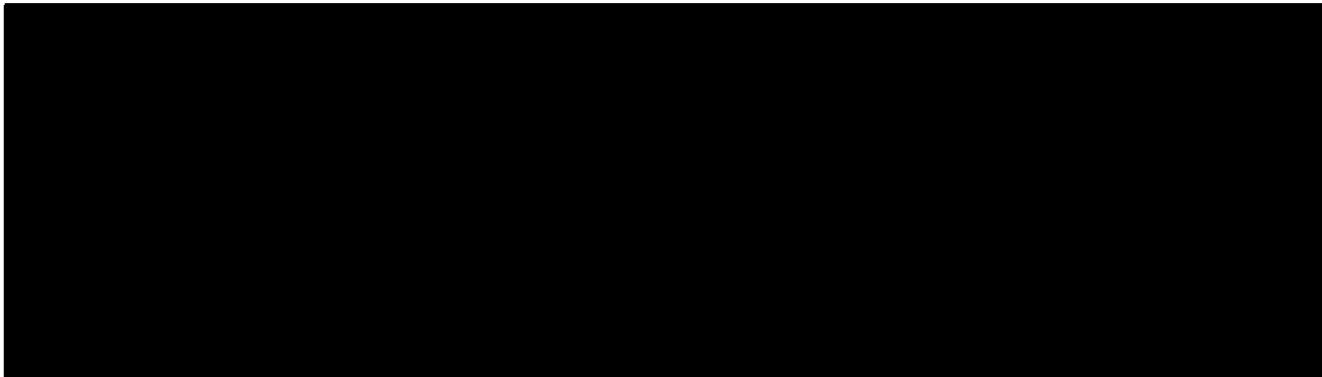
Yours sincerely,



Bronwyn MacKinnon
Audit Division

Telephone: 780-495-8465
Toll Free: 1-800-267-2384
Facsimile: 780-495-4243
Address: Suite 10, 9700 Jasper Avenue, Edmonton AB T5J 4C8

c.c.: Donald King, 



Fax

To: Canada Revenue Agency; **From:** David Amy

Bronwyn MacKinnon

Fax: 1-780-495-4243 **Date:** March 3, 2017

Phone: 519-884-7330 **Pages:**

Re: Your File No: 289132 – White Fields Missionary Society

Urgent **For Review** **Please Comment** **Please Reply**

Comments:

This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone, and return the original to us by postal service at the address above. Thank-you.





March 3, 2017
File No.: 27582

Canada Revenue Agency
Suite 10, 9700 Jasper Ave.,
Edmonton, Alberta
T5J 4C8

Attention: **Bronwyn MacKinnon**
Francis Yu

Dear Ms. MacKinnon and Mr. Yu:

Re: **White Fields Missionary Society ("WDMS")**
BN 11929 7208 RR 0001
Your File #289132

As previously discussed with you, I am the solicitor acting on behalf of the above-noted charity. As indicated to Mr. Yu in a recent telephone discussion, I have now had the opportunity of reviewing this file both with my client and also [REDACTED] [REDACTED] and with whom the organization had entered into a Joint Venture Agreement dated August 1, 2010. As indicated to Mr. Yu, I had a telephone conference call with Mr. Barbour, the Treasurer of WFMS, and reviewed with him the various issues raised in the January 3, 2017 audit letter from CRA. In that discussion, he and I reviewed the provisions set out in Guidance CG - 002 entitled Canadian Registered Charities Carrying Out Activities Outside Canada. This proved to be beneficial as it enabled me to explain in more detail the requirements for direction and control by the Canadian charity over its resources and the manner in which an intermediary may participate with a Canadian charity in carrying on foreign activities. In the course of that review, we reviewed the Joint Venture Agreement referenced above and the requirements for revisions to section 5.2 in section 6.5 that had been required by CRA. In that review, I was more critical of the document than CRA. I advised that the 2010 Joint Venture Agreement appeared to be more like an incorporation document than a joint venture agreement in that it established a Board to be known as the [REDACTED]. It almost appeared to be creating a separate [REDACTED]

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entity. This created confusion as to who were the actual parties to the Joint Venture Agreement. [REDACTED] is the name of the American entity and the activities to be carried on pursuant to the 2010 Joint Venture Agreement could arguably be said to be those of the US entity. [REDACTED] If Canadian representatives are to be appointed to the board of [REDACTED] the US entity, they will be considered directors of the US corporation and as such, they would have a fiduciary duty to do what is in the best interest of the organization of which they serve as directors, this being [REDACTED]

I explained that the structure should simply have been a contract between the Canadian charity and [REDACTED] the US 501 (c) (3). The representatives should have been appointed to a management committee comprised of appointees from both the Canadian and the US organizations. In sitting on the management committee, the appointees of the Canadian organization would represent the Canadian charity as to all aspects of the project or projects to be undertaken pursuant to the Joint Venture Agreement. In doing so, they would assist in determining the budget for the foreign activities, obtain approval from the Canadian organization as to the budget, have oversight as to the application of the resources committed to the approved budget by the Canadian charity and ensure that there would be ongoing accountability as to the use of such funds through regular reports, field attendances, photographs of any projects etc. I also indicated to my client that the agreement should provide for the right on the part of the Canadian organization to withdraw its resources from the project should it be determined that such resources not being used appropriately.

My client indicated that Canadian representation had been on the Board of [REDACTED] but he now understood the problems associated with the structure that had been implemented. I recommended to my client that a meeting should be convened with the executive director and representative board members of the US entity, [REDACTED], to discuss with them the perception the current structure creates, that perception being that the Canadian organization is acting as a conduit to support the activities of a non-qualified donee. Even though the Canadian appointments to the board of [REDACTED] actively participated in the selection of projects, it could be argued that the Canadian funds were being used to support the activities of the US entity.

On February 15, 2017, a conference call was convened which included [REDACTED], the executive director of [REDACTED], Dennis Barbour, the Treasurer of WFMS, and several board members from the Canadian and US entities. The purpose of that meeting was to educate the American organization as to the legal requirements in Canada for Canadian charities carrying on foreign activities with non-qualified donees and to review the issues raised in the CRA Audit letter. The Guidance CG-002 was also used in the conference call to impress on the US board members the significance of this issue and the absolute necessity for the agreements between the parties to be amended to clearly demonstrate that the Canadian charity played an active role in the application of its resources where funds were being pooled to carry on joint activities. The agenda of the meeting also included a review of the problems associated with the August 1, 2010 Joint Venture Agreement between [REDACTED] and WFMS.

As a result of this conference call, [REDACTED] and WFMSC agreed to enter into a revised Joint Venture Agreement that clearly demonstrates the Canadian charity exercises the requisite level of direction and control over its resources and I was instructed to prepare the appropriate document for this purpose. I have attached the initial draft of this document. You will note that it requires all activities to be undertaken pursuant to the Joint Ministry Agreement (also known as a Joint Venture Agreement) are to be mutually agreed upon by each of the parties. It establishes a Management Committee comprised of four representatives, two being appointed by each of the parties to the agreement. The agreement requires at least four meetings per year of the Management Committee and sets out percentage voting based on the contributions of each party to the activities undertaken pursuant to the Joint Ministry Agreement. A budget process is identified together with the requirement that financial reports and financial statements are be provided on a regular basis. Additional provisions also include a dispute resolution process and the manner in which any assets of a capital nature are to be acquired should they be necessary for any projects undertaken pursuant to the Joint Ministry Agreement. It was also discussed in the Canada/US conference call that Field Director Contracts have yet to be provided to CRA. I reviewed with both [REDACTED] and WFMSC the nature of such Field Director Contracts and suggested that such arrangements are actually Agency Agreements. Again, it was drawn to the attention of the participants in the conference call that an agent is an intermediary that carries out specific activities on behalf of the charities. To assist them in understanding the obligations imposed on an agent, I have prepared a draft Agency Agreement for the consideration of both parties. Whether it is called a Field Director Contract or an Agency Agreement, the purpose of the agreement is to ensure that the field director is acting under the direction and control of the joint venture participants. I have included a copy of the draft Agency Agreement which is being considered by the parties.

As hopefully can be seen, there has been significant effort made by White Fields Missionary Society to correct all matters identified in the Audit letter in order that it will be in compliance with the provisions of the Income Tax Act and the applicable CRA policies. Unfortunately, the Canadian organization did not have legal advice from a lawyer experienced in charity law matters when it was first presented with the original Compliance Agreement.

Both the Canadian charity and the US organization are working cooperatively to rectify all outstanding deficiencies. As the above referenced agreements require input from US legal counsel and may be subject to some revisions, I would ask that sufficient time be allowed to enable my client to complete the agreements referenced above. Any suggested changes to the agreements from CRA would be welcome.

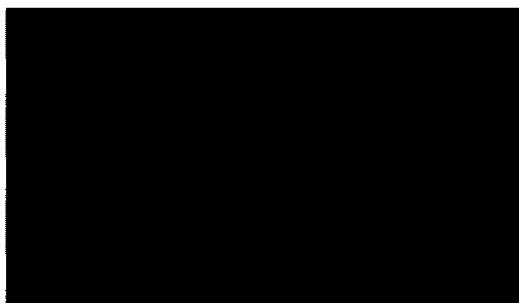
My client is also aware of the information/documentation required to be maintained by it as referenced on page 9 of the Audit letter and steps are being undertaken to ensure there is compliance.

Please confirm that adequate progress is being made on this matter and that CRA will not give notice of its intention to revoke the registration of the organization at this time. As

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indicated above, the documentation takes time to complete and circulate for execution. However, once these agreements are in place, copies of same will be provided to CRA. Should you any questions, please do not hesitate to contact me.

Yours very truly,

A large black rectangular redaction box covering the signature area.

This Agreement, made as of the _____ day of _____ 2017.

B E T W E E N:

WHITE FIELDS MISSIONARY SOCIETY, incorporated under the laws of Alberta, Canada

(hereinafter referred to as "WFMS")

And

(hereinafter referred to as [REDACTED])

And

_____ in _____.

(hereinafter referred to as "AGENT")

WHEREAS WFMS and [REDACTED] have similar charitable purposes and carry on certain of their programs and activities pursuant to a Joint Ministry Agreement dated the _____ day of _____, 2017 (the "JMA");

AND WHEREAS, WFMS and [REDACTED] in carrying on activities pursuant to the JMA, are herein referred to as the "CHARITY";

AND WHEREAS WFMS is a charitable organization and a registered charity within the meaning of such terms in the Income Tax Act (Canada);

AND WHEREAS [REDACTED] is a tax-exempt organization pursuant to section 501(c)(3) of the Internal Revenue Code;

AND WHEREAS the AGENT acknowledges it is aware of the charitable objects and purposes of WFMS and [REDACTED] and the requirement that WFMS and [REDACTED] operate within such stated purposes;

AND WHEREAS, in fulfilment of their objects, WFMS & [REDACTED] wish to carry on certain projects in _____, as set out herein, and wish to engage AGENT as their agent in order to carry out the said projects;

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AND WHEREAS AGENT has the knowledge, skill and ability to act for CHARITY in the capacity of an agent for the purpose of enabling CHARITY to accomplish the goals and directives as set out in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the terms and conditions set out herein, the parties hereto agree as follows:

1. CHARITY hereby engages AGENT as its agent to carry out those tasks and duties specifically set out herein, and AGENT agrees to act as such agent strictly in accordance with the terms hereof.
2.
 - (a) On behalf of CHARITY, AGENT shall carry out such activities as set out in Schedule "A" of this Agreement.
 - (b) The parties may agree in writing between them to extend this arrangement to another project or projects to be carried on in _____ in which case the provisions of this Agreement shall apply mutatis mutandis.
3. All funds made available by CHARITY to AGENT for the said purposes shall be held and kept investments by AGENT in an account with a bank in _____ in which only funds received from CHARITY are deposited. AGENT shall operate the said bank account as Trustee for CHARITY and only in accordance with the terms hereof. The account shall be called: "AGENT in trust for CHARITY". All funds received by AGENT from CHARITY shall be segregated from those of AGENT.
4. AGENT shall apply and/or disburse all funds and other resources entrusted to it by CHARITY solely for the purposes as set out in this Agreement.
5. Title to any real and/or personal property to be used for the purpose of the project and/or activities of CHARITY shall be held in the name of CHARITY in such proportions as directed by WFMS and WFI. If such title and ownership cannot be held by CHARITY and it determines that AGENT is to acquire such property for CHARITY, AGENT shall hold title in trust for CHARITY.
6. CHARITY shall at no time be obligated to provide any funds for any of the purposes set out herein other than amounts required to reimburse AGENT for costs incurred on behalf of CHARITY that were authorized to be incurred. Any advances so made shall be dependent on the receipt by CHARITY of progress reports and financial reports that are satisfactory to CHARITY.
7. AGENT shall maintain full and complete financial books and records with respect to all funds received from or on behalf of CHARITY disbursed on its behalf and retain original receipts, vouchers, invoices, and other support documentation with respect to all such receipts and disbursements. Such books and records shall be

separate from the books and records of AGENT and clearly reflect that the role of CHARITY in any activity is separately identifiable as the charitable activity of CHARITY.

8. The fiscal year for the projects described herein shall be _____ and a budget for each fiscal year shall be fixed on or before the beginning of each such fiscal year by the board of directors of CHARITY. The budget shall set out CHARITY'S plan for each fiscal year for spending on both capital costs and on operating costs, and shall indicate how such funds are to be spent. AGENT may make comments and recommendations regarding the budget for any upcoming year but CHARITY shall have the sole and final responsibility for establishing such budget. Money received by AGENT from CHARITY in accordance with this Agreement shall be carefully disbursed in any fiscal year only in strict accordance with the budget for that year.
9. AGENT shall prepare quarterly financial statements showing receipt and disbursement of any funds received from CHARITY under the control of AGENT. AGENT shall provide a comparison of budgeted expenditures for capital and operating costs with actual expenditures for these items. AGENT shall prepare annual financial statements in accordance with generally accepted accounting principles, and such financial statements shall be audited annually by duly licenced public accountants in accordance with generally accepted auditing standards. The said statements shall be provided to CHARITY immediately upon their completion.
10. AGENT shall provide regular written reports as and when required by CHARITY but in any event, not less than quarterly, as to the activities carried on by AGENT on behalf of CHARITY.
11. In conducting the activities on behalf of CHARITY pursuant to the provisions hereof, AGENT shall also:
 - (a) keep a detailed description of the tasks, activities and programs by AGENT pursuant to the instructions of CHARITY;
 - (b) keep copies of any letters and other directives authorizing AGENT to spend any money entrusted to AGENT in carrying out the tasks and activities authorized by CHARITY;
 - (c) maintain all books, records and support materials for same at its head office and make same available to CHARITY upon request;
 - (d) provide regular invoices to CHARITY for the services provided in accordance with the terms of this Agreement, including copies of invoices or receipts for disbursements incurred by AGENT on behalf of CHARITY; and

(e) permit CHARITY to inspect all information and financial books and records of AGENT with respect to the activities undertaken by AGENT for CHARITY pursuant to the terms of this Agreement and to provide to CHARITY copies of any support documentation as it may request to enable CHARITY to meet its obligations to maintain adequate books and records at its Canadian address.

12. AGENT agrees that it will at all times carry out its duties and obligations herein so as to strictly comply with the charitable nature of the objects of CHARITY and to act as an agent strictly in accordance with the terms of this Agreement.

13. CHARITY shall have the unfettered right at any time inspect any books, records, or accounts kept by AGENT which relate to its duties and obligations hereunder, and also to inspect any physical assets whose acquisition was financed by CHARITY. For this purpose, AGENT hereby grants to CHARITY permission to enter at reasonable time any premises occupied, controlled, or owned by AGENT. AGENT shall maintain all books, records and support materials for the activities undertaken on behalf of CHARITY pursuant to the terms of this Agreement at its head office and make them available to CHARITY upon request.

14. AGENT shall not have the authority to do any act on behalf of CHARITY or to bind CHARITY except as specifically authorized by the terms hereof.

15. Any construction, work, or operations of any kind whatsoever performed by AGENT pursuant to this Agreement shall be performed only in strict compliance with all governing laws, statutes, regulations, or ordinances. In the event AGENT determines the projects and/or activities of CHARITY that are undertaken by AGENT pursuant to the terms and provisions of the Agreement may breach or are in breach of the laws and regulations which govern the jurisdiction in which such projects and/or activities are undertaken, AGENT shall forthwith notify CHARITY accordingly. Upon such notification, CHARITY and AGENT shall review the compliance issues and consider the potential consequences to CHARITY of the breach or potential breach. Following such assessment, CHARITY shall provide such directives to AGENT as CHARITY determines appropriate. Upon the receipt of such directives, AGENT shall have the right, if it is unwilling to follow the directive(s), to terminate this Agreement whereupon the provisions of Section 17 shall apply.

16. AGENT represents and warrants to CHARITY that it does not support, has never supported and will not in the future support, directly or indirectly, any terrorist activities or terrorist groups. AGENT further represents and warrants that it will not apply any of the resources of CHARITY to the direct or indirect support of terrorism or any activities which are political in nature.

17. Upon termination of this Agreement, AGENT shall render to CHARITY a complete accounting of all property and assets held by AGENT on behalf of CHARITY.

AGENT shall forthwith return to CHARITY all property and assets held by it on behalf of CHARITY which have not been expended or applied in accordance with the approved guidelines and intentions of CHARITY as stated in this Agreement or in any other written instructions made by CHARITY to AGENT.

18. This Agreement may be terminated by either party by written notice to the other party. Such termination shall be effective at a time which is mutually acceptable to each of the parties and in default of agreement, then such termination date shall be no later than one year from the date of the notice of termination and the provisions of Section 17 shall apply.
19. CHARITY and AGENT hereto acknowledge the relationship between them pursuant to this Agreement is that of principal and agent and they are governed by the terms and provisions of this Agreement and expressly disclaim any intention to create a partnership or other separate entity.
20. This Agreement shall be governed by the laws of Canada.
21. This Agreement shall be binding on and enure to the benefit of the parties and their respective successors and permitted assigns. No party may assign its rights hereunder except with the written approval of the other party.
22. Time shall be deemed to be of the essence with respect to all time limits mentioned in this Agreement.
23. This Agreement may not be modified or amended except with the written consent of all the parties hereto.
24. The parties hereto agree that they will, from time to time at the reasonable request of any of them, execute and deliver such instruments, conveyances, and assignments and take such further action as may be required pursuant to the terms hereof to accomplish the intent of this Agreement.
25. This Agreement constitutes the entire Agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions whether oral or written of the parties and there are no warranties, representations, or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.
26. Except as otherwise herein set forth, any notice contemplated or required to be given hereunder shall be in writing and either delivered personally, sent by prepaid mail, or reproduced electronically addressed as follows:

In the case of WFMS:

White Field Missionary Society of Canada
Box 452
Coaldale, Alberta
T1N 1M5

In the case of [REDACTED]



In the case of AGENT:

(INSERT ADDRESS)

Notice shall be deemed to be received, in the case of prepaid mail, four (4) days after mailing, in the case of personal delivery, immediately upon delivery and in the case of electronic reproduction, on the next business day after it has been sent.

27. If any covenant or obligation set forth in this Agreement or the application of it to any party or the particular circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such obligation to the parties or circumstances other than those to which it is held invalid or unenforceable shall not be effected thereby and each such obligation shall be separately valid and enforceable to the fullest extent permitted by law
28. Articles 4, 5, 7, 13, 14, 17 and 28 shall survive the termination of this Agreement.
29. This Agreement may be executed by the parties hereto in separate counterparts each of which when so executed and delivered shall be original but all such counterparts shall together constitute one and the same instrument.
30. The signature of the parties hereto as evidenced by a facsimile document transmission or transmission by other electronic means shall be deemed to be original signatures and the Agreement containing such signatures shall be binding upon the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement this _____ day of _____, 2017.

SIGNED, SEALED AND DELIVERED) WHITE FIELDS MISSIONARY SOCIETY
in the presence of)
)
) Per: _____
) Name: _____
) Title: _____
) I have the authority to bind the organization
)

-) Per: _____
-) Name: _____
-) Title: _____
-) I have the authority to bind the Corporation
-)
-)
-)
-) AGENT
-)
-) Per: _____
-) Name: _____
-) Title: _____
-) I have the authority to bind the Corporation

SCHEDULE "A"

ACTIVITIES

JOINT MINISTRY AGREEMENT

THIS AGREEMENT, made as of the day of March, 2017.

BETWEEN:

WHITE FIELDS MISSIONARY SOCIETY, a non-profit corporation incorporated under the laws of the Province of Alberta, and having its head office in the City of Edmonton, in the Province of Alberta

(hereinafter referred to as "WFMS")

OF THE FIRST PART

-AND-

██████████ non-profit corporation incorporated under the laws of ██████████, United States of America with its head office ██████████
██████████

(hereinafter referred to as "WFI")

OF THE SECOND PART

WHEREAS WFMS is a charitable organization and a registered charity within the meaning of such terms in the Income Tax Act (Canada);

AND WHEREAS █████ is validly existing as a not-for-profit entity under the laws of the United States of America and is registered as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code;

AND WHEREAS the parties hereto share certain doctrinal distinctives and have similar religious objects and interests;

AND WHEREAS the parties hereto have concluded that certain of the ministries which are carried on by each organization could be more effectively and economically carried on by pooling the resources which each of the parties is willing to devote to such ministries for the purpose of carrying on these ministries jointly;

- 2 -

AND WHEREAS it is the intent of the parties hereto that this Agreement be entered into for the sole purpose of establishing a meaningful structure for overseeing the Ministry activity or activities which are funded by the parties hereto pursuant to the terms hereof and are carried on under the name "White Fields";

AND WHEREAS each of the parties hereto is an autonomous organization and each party acknowledges that it shall continue to be a distinct entity from the other parties to this Agreement and each party shall determine from time to time in consultation with the other parties the ministries which will be carried on jointly.

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties agree as follows:

ARTICLE I PURPOSE

1.1 Joint Activity

The parties shall collectively carry on the Ministry activities which are mutually agreed upon by each of the parties hereto from time to time and which are in compliance with the terms and provisions of this Agreement. Such Ministry activities shall not be inconsistent with those activities which are permitted or authorized by the objects or purposes of each of the parties. The activities to be undertaken jointly shall include, but not limited to, the establishment and oversight of new churches in Ghana, the oversight of ministerial development and organizational development.

1.2 Jurisdiction

This Agreement shall be interpreted according to the laws of the United States of America.

1.3 Name

In carrying out the joint Ministry activities pursuant to the provisions of this Agreement, activities may be conducted under the name "White Fields" and such names may be modified in the various countries in which the Ministry activities are carried on:

- (a) to meet the specific legal requirements of such country, or
- (b) to be culturally and linguistically appropriate; and
- (c) subject to the approval of the Committee (as defined in Section 2.1).

ARTICLE II ORGANIZATION

2.1 Management Committee

The Ministry activities carried on pursuant to this Agreement shall be managed by a Management Committee (the "Committee") composed of four (4) persons. Two (2) of such persons shall be appointed by WFMS and shall be designated as voting members. Two (2) of such persons shall be appointed by [REDACTED] and shall also be designated as voting members. Any change in the number of persons who shall constitute the Committee shall require the approval of all parties whereupon such change shall immediately become effective. A first (1st) and second (2nd) alternative voting member may be designated to take the place of any voting member of the Committee. Appointment of each person and the designation of voting members shall be for a term of one (1) year continuing until the first meeting of the Committee following the fiscal year end at which meeting the financial statements of the joint ministry activities for such period are considered and approved by the Committee. Nothing herein shall prevent a party from designating another appointee or voting member in the place and stead of its representative throughout the term. There shall be no limitation on the number of successive terms that a voting member may serve on the Committee. The Committee shall select from within its members a chairperson and a secretary and such other officers as it deems necessary.

2.2 Meetings

The Committee shall meet at least four (4) times per year or more frequently as the interests of the joint ministry activities may require, [identify the place of meeting]. A meeting of the members of the Committee may be called by the chairperson at any time. The secretary shall convene a meeting of the members of the Committee pursuant to a written request therefor from the chairperson, or any two (2) members and a quorum at any meeting of the Committee shall be determined in accordance with Article 2.6.

2.3 Notice of Meeting

Notice of any meeting of the Committee shall be in writing stating the time, date, and place, and mailed or e-mailed to each member at the last address thereof as shown on the records maintained for the joint ministry activities. Such notice may be faxed to any member where the member has so requested and has provided the secretary with a fax number. In the event of mailing, postage shall be prepaid and the notice deposited in the post office or post box at least 20 days (exclusive of the day of mailing and of the day of the meeting for which notice is given) before the day for which the meeting is called. The same notice period shall be required for a notice provided by fax. Meetings of the Committee may be held at any time without formal notice if all the members are present or those members who are absent have waived notice and have signified in

writing their consent to the meeting being held in their absence. Notices of meetings may be sent by electronic means to any member where the member has so requested and has provided the secretary with the appropriate e-mail address or other contact information.

2.4 Method of Holding Meetings; Waiver of Notice

Where all the members have consented thereto, any member may participate in a Committee meeting by means of a conference telephone or other communications equipment by means of which all persons participating in such a meeting can hear each other, and a member participating in such a meeting by means of a conference telephone or other communicating equipment shall be deemed to be present in person at the meeting. Any consent given hereunder shall be effective whether given before or after the meeting to which it relates. Notice of any meeting or any irregularity in any meeting, or the notice thereof, may be waived by any member.

2.5 Percentage Contribution and Number of Votes

The number of votes to be exercised by any voting member of the Committee shall be determined in the following manner:

- (a) following the preparation of the financial statements of the joint ministry activities and prior to the Committee's annual meeting each year, the financial contribution of each party to such joint ministry activities for the immediately preceding fiscal period shall be determined as a percentage of the aggregate of all financial contributions to the joint ministry activities by parties to this Agreement for the immediately preceding fiscal period. In determining such contributions, a reasonable value shall be assigned to any resource contributed to the joint ministry activities by any party to this Agreement, and such value shall be deemed to be a financial contribution and be included in such calculations. In determining such reasonable value, the actual cost incurred by the party providing such resource shall be disclosed to the other party to the Agreement and such cost shall be deemed to be the reasonable value of such resource.
- (b) upon the determination of the percentage contribution by each party to this Agreement, the total number of votes to be cast by each party's voting members shall be equal to one vote for each full percentage point of such party's financial contribution determined in accordance with Article 2.5(a). Where a party to this Agreement has appointed more than one voting member to the Committee, the total number of votes which such party's voting members are entitled to cast shall be divided equally among such party's voting members.

2.6 Quorum

A Quorum at any meeting of the Committee shall be four (4) voting members present in person, by teleconference or by other form of electronic communication which permits full, instantaneous participation, provided that each party is represented by at least one voting member at such meeting. In the event a voting member of any party fails to attend two (2) consecutive meetings of the Committee where the required notice has been given, the requirement that a voting member from each party be in attendance for a meeting to be properly constituted shall not apply with respect to the party whose voting representative has failed to attend the two (2) consecutive meetings and, provided the remaining conditions for a quorum have been satisfied, the meeting and all subsequent meetings shall be validly constituted.

2.7 Voting

At all meetings of the Committee, every question shall be decided by the majority of the votes cast. Each voting member shall have such number of votes on any question before the Committee as determined pursuant to the provisions of Article 2.5. The Chairperson of the meeting shall not have a second or casting vote in the case of an equality of votes.

2.8 Budget Process

- (a) At its last meeting in each fiscal year during the term of the Agreement, the Committee shall approve a budget setting out the estimated costs and the funding required for all proposed ministry activities to be carried out jointly by the parties hereto for the ensuing fiscal year. Such budget shall be forwarded to the parties for their consideration and approval. If such budget meets with the approval of all parties, with or without change, the budget or amended budget, as the case may be, shall become the budget for joint ministry activities overseen by the Committee for the ensuing year.
- (b) Each party shall contribute such funds as agreed to by that party during the budget approval process and such funds shall be used to carry out the joint Ministry activities as set out in the budget. If a party to this Agreement is not able to contribute the agreed upon funds, it shall notify the Committee as soon as possible as to its inability to so contribute and shall advise the Committee as to the actual amount it will be able to contribute. The Committee shall then prepare an amended budget and forward copies of same to the parties hereto for their approval. In the event a party is unable to meet its budget commitment, there is no expectation that any other party to this agreement shall be required to advance the shortfall.
- (c) In the event a party hereto can contribute funds in excess of the amount such party is expected to contribute pursuant to the approved budget, such party shall notify the Committee as soon as possible as to its ability to do so, the anticipated amount of such surplus contribution and a copy of any donor

restriction designation as may apply to such surplus contribution. The Committee shall consider the appropriateness of any donor restrictions, if any, and determine if such restricted donation can be incorporated into the amended budget. The Committee shall then prepare an amended draft budget reflecting such surplus contributions and forward copies of same to the parties hereto for their approval. In preparing the amended draft budget for submission to the parties, the Committee shall review any activities which were identified on the prior approved budget as "optional activities" and determine if the surplus contributions can be used for such activities or, subject to any donor restrictions on such surplus contributions, if the surplus should be applied to other activities.

- (d) To the extent possible, financial contributions to budgeted expenses shall be made on a periodic basis and following the regular monitoring of the programs and activities to which such funds are to be applied. If the monitoring of the programs and activities are not to the satisfaction of any party or if any party hereto or the Committee fails to perform the duties or obligations required of it, any party hereto shall be entitled to discontinue payments required of it pursuant to the approved budget.
- (e) If one of the parties to this Agreement can contribute more than the funds agreed upon during the budget process, the Committee has the option to carry out optional activities and projects in addition to the prioritized ministry activities agreed upon during the budget process. Such additional activities and projects can be defined from time to time by the Committee and are preferably defined as "optional activities" during the annual budget process. There shall be no obligation on the part of any party to the agreement to contribute to any optional activities supported by any other party. All such optional activities shall, however, come under the management of the Committee.
- (f) In the event the services of an individual or individuals are required to carry out functions in connection with the ministry activities which are carried on jointly, a party to this Agreement may employ such individual or individuals and then make the services of such employee or employees available to the Committee to carry on the ministry activities carried on jointly by the parties. The compensation paid to such employee or employees shall be included in the financial contributions by such party to fund the joint ministry activities and be reflected in the financial statements of the joint ministry provided for in Article 5.3 hereof. While performing their services, such individual or individuals shall be under the direction of the Committee with respect to the manner in which such services are to be provided. With the approval of the parties hereto, the parties may jointly employ persons for the purposes of the joint ministry activities in such capacities, at such remuneration and upon such terms as the Committee determines.

2.9 Powers and Duties of the Committee

The Committee shall oversee the Ministry activities which are carried on jointly pursuant to this Agreement by the parties hereto. In doing so, the Committee shall exercise such rights, powers, and privileges as assigned to them by the parties, which shall include the following:

- (a) the Committee may establish policies, which are not inconsistent with the charter, by-laws and policies of each of the parties, as it considers necessary or advisable for the general conduct of the activities which are carried out jointly;
- (b) the Committee shall elect one (1) of its members to be chairperson and one (1) of its members to be secretary;
- (c) the members of the Committee may establish a single joint bank account in the name of all parties to this Agreement to which all funds to be used in joint ministry activities shall be deposited. The Committee shall designate the individuals who shall have signing authority for such account;
- (d) the Committee may establish such committees as it deems appropriate for the general conduct and management of the activities which are carried on jointly and may determine the duties and responsibilities of such committee;
- (e) the Committee may, from time to time appoint such officers and employ such persons as it considers to be necessary to carry out the functions described therein; and
- (f) the Committee shall provide regular reports to the parties hereto and act within the authority given to it by the parties from time to time; and
- (g) the Committee shall review projects conducted pursuant to approval of the Committee, as well as associated financial statements, and shall provide regular reports to the parties hereto and act within the authority given to it by the parties hereto.

2.10 Remuneration

- (a) No member of the Committee shall receive any remuneration for acting as a member of such committee; however, expenses incurred in attending meetings or fulfilling duties specifically assigned by the Committee may be paid out of the funds received from the parties for the joint ministry activities
- (b) In the event the services of an individual or individuals are required to carry out functions in connection with the ministry activities which are carried on jointly, a party to this Agreement may employ such individual or

individuals and then make the services of such employee or employees available to the Committee to carry on the ministry activities carried on jointly by the parties. The compensation paid to such employee or employees shall be included in the financial contributions by such party to fund the joint ministry activities in determining the number of votes to be cast by such party pursuant to the provisions of Article 2.5 of this Agreement. While performing their services, such individual or individuals shall be under the direction of the Committee with respect to the manner in which such services are to be provided. With the approval of the parties hereto, the parties may jointly employ persons for the purposes of the joint ministry activities in such capacities, at such remuneration and upon such terms as the Committee determines.

- (c) In the event the services of an individual or individuals are required to carry out functions in connection with the Ministry activities which are carried out jointly, a party to this Agreement may employ such individual or individuals and then make the services of such employee or employees available to the Committee to carry on the Ministry activities carried on jointly by the parties. From time to time, the parties hereto may assign or second persons to act as officers of the Committee or to otherwise perform services in furtherance of the joint Ministry activities under this Agreement.
- (d) The compensation paid to such employee or employees shall be included in the financial contributions by such party to fund the joint Ministry activities reflected in the budget.

2.12 Right to Inspect

In addition to all other rights of the parties pursuant to this Agreement, each party hereto shall have the right to inspect any project or program undertaken in accordance with the terms of this agreement upon reasonable notice to the other parties.

ARTICLE III TERM AND TERMINATION

3.1 Term

The parties hereto shall commence to carry on the joint ministry activities in accordance with the provisions of this Agreement upon the signing of the Agreement by each of the such parties. The parties shall continue to carry on the joint ministry activities until terminated by the agreement of the parties hereto. The parties acknowledge that should any decision made by the Committee in overseeing the joint activities provided for hereunder not meet with the approval of any party, the party disapproving of such decision shall be entitled to give written notice to terminate this Agreement forthwith, whereupon the provisions of Article 3.2 shall apply.

3.2.1 **Termination**

- (a) Upon any party hereto giving notice to terminate in accordance with Article 3.1, the parties shall mutually agree as to an effective date of termination. In the event the parties are unable to mutually agree on a termination date, the Agreement shall terminate upon the first fiscal year end following the date of the notice to terminate. Upon the termination of this Agreement, a complete accounting of all property held in connection with the joint ministry activities shall be made to the parties herein and, subject to the provisions of Article 5.2, such property shall be returned to distributed among the parties in proportion to the contributions made by them to such joint ministry activities. Such distribution shall take place no later than sixty (60) days following the completion of the said accounting.
- (b) Upon the distribution of the property to the parties, each party hereto shall cease to have the right to use and shall discontinue the use of names, marks, designs, and logos which are the names, marks, designs, and logos of or similar to those owned by the other party to this Agreement.

ARTICLE IV **MANAGEMENT**

4.1 Records of the Joint Ministry.

Records of the joint ministry activities shall be maintained as required by law as well as minutes of all meetings of the Committee. Copies of all minutes and annual reports of the joint ministry activities shall be promptly forwarded to each party.

4.2 Annual Reports

Within sixty (60) days after the end of each fiscal period, the Committee shall submit an annual report of the ministry that is carried on jointly by the parties hereto during such fiscal year to each party.

4.3 Retention of Records

All records required to be kept pursuant to this Agreement, all financial information and books of account and all other documentation shall be retained at such location or locations as the parties shall determine from time to time. The parties hereto shall have full access to such records and copies of same shall be provided to any party upon written request. Each party shall maintain adequate records at its own head office in order to satisfy the laws of the jurisdiction that regulates such party.

ARTICLE V FINANCIAL ARRANGEMENTS

5.1 Financial Support.

Each of the parties hereto agree to provide funds for the joint ministry activities to meet the financial commitments made in connection with the joint ministry activities established in accordance with the budget approved pursuant to Article 2.8 or as otherwise mutually agreed upon from time to time by the parties.

5.2 Capital Acquisitions

- (a) To the greatest extent possible, any real property required in carrying out the joint ministry activities shall be acquired or leased by one party to the Agreement who shall then contribute the use of real property for the joint ministry activities. The fair rental value related to the use of real property in ministry activities that are carried on jointly shall be deemed to be that party's financial contribution. Such party shall retain the title to the property and shall be entitled to retain such property upon the termination of this Agreement.
- (b) In the event that real property is acquired or leased for use in the joint ministry activities and is not acquired by one party, such real property will be acquired from the funds made available for the joint ministry activities in accordance with the budget approved pursuant to Article 2.8. Title to such property shall be held by one of the parties hereto but such party shall hold such property in trust for the parties to this Agreement in proportion to their contributions to the joint ministry activities. Upon the termination of this Agreement where such property is not disposed of prior to termination, the real property so held in trust shall be conveyed to the parties in accordance with their respective interests. If the real property is necessary to effectively carry on the joint ministry activities and one of the parties hereto desires to so carry on such activities, the party withdrawing shall offer to sell, rent or lease to the remaining party its interest in the real property at the fair market value of the selling price, rental rate, or lease rate of such interest. If the parties are unable to mutually agree to the terms and conditions of such sale, rental or lease within ninety (90) days, such asset shall be sold and the net sale proceeds distributed to the parties in accordance with their proportional interests.

5.3 Financial Statements

The Committee shall furnish to each party within sixty (60) days of the fiscal year end set out in Article 5.5 statements of the financial condition of the ministry activities which are carried on jointly by the parties at the end of such fiscal year. Such statements shall be signed by two (2) members of the Committee on behalf of the Committee and if

requested by either party shall include an opinion on such statements from an independent auditor approved by the parties hereto. Such auditor's opinion shall confirm that it is an audit of the activities carried on jointly by the parties pursuant to this agreement. In addition to the annual statements, the Committee shall forward half-yearly unaudited financial statements to the parties within two (2) weeks of their completion and, in any event, not later than eight (8) weeks following the end of the period to which such statements relate.

5.4 Fiscal Policies

The Committee shall establish and maintain fiscal policies, accounting systems, and procedures compatible with the policies, accounting systems, and procedures adopted by the parties hereto.

5.5 Fiscal Year

The fiscal year used to report on the joint ministry activities of the parties shall end on December 31 of each calendar year.

ARTICLE VI ANTI-TERRORISM

6.1 Due Diligence

Throughout the terms of this Agreement, the parties hereto shall exercise due diligence to ensure that the resources of the parties used in carrying on the joint ministry activities shall not be used to facilitate terrorist activity.

6.2 Policy Disclosure

Each party shall fully disclose to the other party or parties to this Agreement, the particulars of any anti-terrorism policy of such party and, to the extent such policy applies to the activities of the joint ministry regulated by this Agreement, all parties hereto shall comply with such policy.

6.3 Monitoring

All programs of the joint ministry shall be reviewed regularly to ensure such programs do not breach the anti-terrorism policies of any of the parties hereto. A full report of such review shall be provided to each of the parties within thirty (30) days of its completion.

6.4 Termination for Non-compliance

In the event any party hereto determines that the programs and/or activities of the joint venture are in breach of the anti-terrorism policy of the party or subject the party to liability within the jurisdiction that regulates such party, such party shall be entitled to give notice to immediately terminate the Agreement, whereupon the termination provisions set out in Article 3.2 shall apply.

ARTICLE VII MISCELLANEOUS

7.1 Scope of Agreement

This Agreement shall govern and define the respective rights, benefits, liabilities, obligations, interests and powers of the parties with respect to the creation and operation of the joint ministry activities.

7.2 Relationship of the Parties

Each party acknowledges its relationship in participating in the ministry activities which are carried on jointly is that of a joint participant in such activities pursuant to the terms and provisions of this Agreement and expressly disclaims any intention to create a partnership. Nothing in this Agreement shall constitute any such party the partner, agent, or representative of any other party, or create any trust of one in favour of any other party or render one party liable for the debts or obligations of any other party except as specifically provided for in this Agreement.

7.3 Amendment

This Agreement may not be modified or amended except with the written consent of all the parties hereto.

7.4 Assignment

Except as otherwise provided to the contrary, this Agreement shall be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns. No party may assign its rights hereunder except as herein expressly provided.

7.5 Further Assurances

The parties hereto agree that they will, from time to time at the reasonable request of any of them, execute and deliver such instruments, conveyances, and assignments and take such further action as may be required pursuant to the terms hereof to accomplish the intent of this Agreement.

7.6 Time of the Essence

Time shall be deemed to be of the essence with respect to all time limits mentioned in this Agreement.

7.7 Entire Agreement

This Agreement constitutes the entire Agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions whether oral or written of the parties and there are no warranties, representations, or other agreements between the parties in connection with the subject matter hereof except as specifically set forth herein.

7.8 Notice

Except as otherwise herein set forth, any notice contemplated or required to be given hereunder shall be in writing and either delivered personally, sent by prepaid mail, or reproduced electronically addressed as follows:

In the case of WFMS: White Field Missionary Society of Canada
 Box 452 Coaldale, Alberta, Canada, T1M 1M5

In the case [REDACTED] [REDACTED]

7.10 Severable Covenants

If any covenant or obligation set forth in this Agreement or the application of it to any party or the particular circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such obligation to the parties or circumstances other than those to which it is held invalid or unenforceable shall not be effected thereby and each such obligation shall be separately valid and enforceable to the fullest extent permitted by law.

7.11 Headings

All headings in this Agreement are inserted for convenience and reference only and are not to be considered in the construction or interpretation of any provisions of this Agreement.

7.12 Gender

Words herein that refer to male persons shall include female persons.

7.13 Responsibility for Liability From Joint Ministry Projects

The parties acknowledge that activities conducted in connection with the joint ministry activities could conceivably result in unexpected liabilities in excess of applicable insurance which liabilities might be asserted against one or more parties. The parties hereby agree that to the extent that such liabilities are not covered by applicable insurance and, except to the extent otherwise agreed, that:

- (a) to the extent that such liabilities are attributable to the negligence or willful misconduct of one party, the liabilities shall be borne solely by that party, and
- (b) otherwise, such liabilities shall be shared by the parties in accordance with the relative amount of financial contribution made by each party to the activity creating the liability.

7.14 Dispute Resolution

- (a) The parties agree to cooperate in good faith in all joint activities, to communicate openly and honestly, and generally to attempt to avoid disputes in connection with this Agreement. If, nevertheless, a dispute should arise, the parties agree to attempt first to resolve such dispute by mediation. The parties shall attempt to agree in good faith on the terms for submission of such dispute for mediation to a Christian mediation or conciliation service which uses Biblical principles in attempting to resolve disputes. The terms of the mediation and the mediation service to be used must be approved by all parties. If the parties are unable to resolve the dispute by mediation within a reasonable period of time, then the dispute shall be resolved by binding arbitration in accordance with Article 7.14(b); and
- (b) If the parties are unable to otherwise resolve a dispute in the manner set forth above, the dispute shall be submitted to binding arbitration at a reasonable location and using such recognized rules and principles of international arbitration as shall be determined in the reasonable good faith judgment of the Management Committee. In the members of the Management Committee are themselves unable to agree on the appointment of the arbitrator, then the appointment will be made by the solicitor of the joint ministry. Subject to the foregoing provisions of this Article 7.14 the parties intend that arbitration be the sole remedy available as to matters arbitrable hereunder. The arbitrator shall determine the rules governing admissibility of evidence and the rules of procedure and discovery. All arbitration awards shall be final and binding on the parties, and the parties agree to abide by all awards rendered in such arbitration proceedings. Arbitration awards shall be enforced by appropriate

proceedings at the request of any party. Unless otherwise provided by the arbitrators, each party shall pay an equal share of the reasonable expenses of the arbitrator. All other fees and expenses of each party, including without limitation, the fees and expenses of its counsel, witnesses, and others acting for it, shall be paid as determined by the arbitrator.

7.15 Survival

Articles 1.4, 3.2, 4.1, 5.2 and 7.15 shall survive the termination of this Agreement.

7.16 Counterparts

This Agreement may be executed by the parties hereto in separate counterparts each of which when so executed and delivered shall be original but all such counterparts shall together constitute one and the same instrument.

7.17 Facsimile Signature

The signature of the parties hereto as evidenced by a facsimile document transmission or transmission by other electronic means shall be deemed to be original signatures and the Agreement containing such signatures shall be binding upon the parties

IN WITNESS WHEREOF the parties hereto have executed this Agreement and have hereunto affixed their corporate seals attested to by their duly authorized officers in that behalf this day of , 2017

SIGNED, SEALED AND DELIVERED) WHITE FIELDS MISSIONARY SOCIETY
)
)
)Per: _____
)
)
)Per: _____
)We have the authority to bind the Corporation
)
)
)
)
)Per: _____
)
)
)Per: _____
)We have the authority to bind the Corporation.

CCP/

Compliance Agreement

Between:

White Fields Missionary Society (the Organization)
11929 7208RR0001

And

Canada Revenue Agency (the CRA)

During an audit of the Organization's books and records conducted by the CRA on March 2006, the following areas of non-compliance with the provisions of the *Income Tax Act* (the Act) and/or its *Regulations*, were identified:

Areas of Non-Compliance

a.(i) Failure of the Organization to devote its resources to charitable activities carried out by the Organization itself in accordance with the requirements of the Act: lack of direction and control over the use of resources and the conduct of activities.

A registered charity may only use its resources (funds, personnel and/or property in two ways, both inside and outside of Canada: for charitable activities undertaken by the charity itself under its continued supervision, direction and control, and for gifting to "qualified donees" as defined in the Act.

Where a charity is operating through an intermediary (an individual that is not its employee, officer or volunteer, or an organization that is not a qualified donee under the Act), an arrangement that demonstrates sufficient and continuing direction and control over the full accountability for, all resources and related activities, is required. The arrangement must establish that the activities in question are, in fact, and in law, those of the charity.

The Organization did enter into a Joint Venture Agreement (the "Agreement") with [REDACTED] a U.S. 501(3)(c) registered charity on October 28, 2004. This agreement purported to establish a joint venture known as White Fields International ("International") to carry out the activity of providing temporary support for trained National Pastors planting churches in their own countries. The terms of the Agreement failed to demonstrate that the Organization exercised the essential measure of direction and control over the funds it contributed to the joint venture and/or over the activities carried on with such funds.

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Moreover, the audit findings revealed that International actually carries out its activities through agents in the various countries in which it operates. Formal arrangements could not be documented or confirmed between International and its agents.

(ii) Where a charity is gifting its resources, it must establish that the recipients are, in fact, "qualified donees" as defined in subsection 149.1(1) of the Act. A registered charity that fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts equal to its disbursement quota, is subject to revocation (subsection 149.1(2)(b)).

The Organization failed to comply with these requirements by transferring funds to a non-qualified donee; [REDACTED] in the U.S.

b. Failure of the Organization to maintain adequate books and records in accordance with section 230 of the Act.

Subsection 230(2) of the Act provides 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:

- (a) 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;
- (b) a duplicate of each receipt containing prescribed information for a donation received by it; and
- (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under the Act.

The Organization failed to demonstrate that its books and records satisfy these statutory requirements. Specifically:

The Organization failed to maintain adequate books and records to support the existence, and implementation, of a joint venture, the audit demonstrated that the Organization has, in general, failed to maintain adequate books and records of account.

The Organization wishes to rectify all identified areas of non-compliance on a voluntary basis. The CRA is prepared to provide the Organization with an opportunity to do so. For this purpose, the parties agree that the Organization shall implement the following corrective measures:

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Corrective Measures

a.(i) The Organization will devote its resources to charitable activities carried out by the Organization itself in accordance with the requirements of the Act.

The Organization will maintain ongoing direction and control over its resources and over the conduct of its charitable activities. Where the Organization conducts activities through an intermediary, it will be in a position to establish by credible evidence that the activities are, in fact and in law, carried on by the Organization itself.

To this end, the Organization will enter into structured arrangements, in the forms attached ("Joint Venture Agreement", "Field Director Contract" and "Church Planter's Working Agreement"), through which it carries out its charitable activities/programs.

In regards to the proposed Joint Venture Agreement, we ask that the following changes be made:

- Clause 5.2 (Financial Statements) - add the following sentence: Financial statements shall list each co-venturer's contribution.
- Clause 6.5 (Assignment) – please delete the word **and** on line two and replace it with **the**, and add the word **consent** on line three after the word **written**.

A copy of these two revised clauses is attached with changes underlined.

However, prior review of an arrangement by the CRA does not confer ongoing approval of the Organization's activities or methods of operation. Each activity conducted by the Organization will be judged on its own merits to determine whether it is in compliance with legislative and common law requirements.

The Organization will retain, and make available to the CRA upon request, documentation, books and records substantiating compliance with these requirements, and will be able to demonstrate that the terms of all structured arrangements are put into practice and adhered to.

- (ii) The organization will ensure that it provides gifts, funds and/or resources only to "qualified donees" as defined in subsection 149.1(1) of the Act.

The Organization will ensure that it expends, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts equal to its disbursement quota as defined in subsection 149.1(1) of the Act, in each taxation year.

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(iii) The Organization will ensure that any additional activities undertaken in the future are within the scope of its stated purposes and are charitable.

b. Failure of the Organization to maintain adequate books and records in accordance with section 230 of the Act.

The Organization will comply, in full, with the requirements of section 230 of the Act. For information purposes, typically CRA auditors will ask for the following information/documentation:

- source ledgers including a general ledger, cash receipts/disbursements journals, bank statements, cancelled cheques, deposit books, adjusting journal entries and reconciliation of entries;
- copies of all contracts with third party agents, fundraisers, etc;
- an official donation receipt listing, which can be reconciled to other source documents, such as the general ledger and bank deposit slips;
- detailed minutes fully reflecting discussions and operations regarding the Organization's programs and activities;
- wire transfers including proper authorization by the Organization to transfer funds;
- all income and expenditure invoices, receipts and vouchers;
- all correspondence, including annual written reports, detailing the services provided by the agent on the Organization's behalf;
- detailed expenditure statements; and
- quarterly written reports of all transactions with respect to the disbursement of funds.

Date of Implementation of all Corrective Measures

The Organization shall implement all corrective measures, and supply to the CRA a signed copy of the structured arrangements entered into relating to its current activities on or before July 31, 2010.

By signing below, the parties certify that they have read, understood, and agree to, the terms of this Compliance Agreement. The Organization further acknowledges that should it fail to implement all corrective measures in accordance with the terms of this Compliance Agreement, the Minister of

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National Revenue (the Minister) may apply the penalties and suspensions provided for in sections 188.1 and/or 188.2 of the Act, which include suspension of the Organization's authority to issue official receipts and suspension of its status as a "qualified donee". The Minister may, by registered mail, also give notice that the Minister proposes to revoke the registration of the Organization by issuing a Notice of Intention to Revoke in the manner described in subsection 168(1) of the Act.

[REDACTED] [REDACTED]
Organization per: Authorized Signatory with Witness
the authority to bind the Organization

Don King, Chairman
Name and position of signatory
(please print)

[REDACTED]
Name of witness (please print)

White Fields Missionary Society, D Canada
[REDACTED]

Full name and address of Organization

Date of signing: July 22, 2010
[REDACTED]

CRA per:

WALTER LASEK - AUDITOR
Name and position of signatory
(please print)

Date of signing: July 23, 2010

Attachment: Revised Joint Venture Agreement Clauses

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