



June 4, 2021

REGISTERED MAIL

Don Gregg
Vice President
Strategic Communications Ministries - Canada
33620 Mapleton Avenue #1112
Murrieta CA 92563
USA

BN: 822771879RR0001
File #: 3031045

Dear Don Gregg:

**Subject: Notice of intention to revoke
Strategic Communications Ministries - Canada**

We are writing with respect to our letter dated February 21, 2020 (copy enclosed), in which Strategic Communications Ministries - Canada (the Organization) was invited to respond to the findings of the audit conducted by the Canada Revenue Agency (CRA) for the period from January 1, 2015 to December 31, 2016. Specifically, the Organization was asked to explain why its registration should not be revoked in accordance with subsection 168(1) of the Income Tax Act.

We have received your written response, dated March 6, 2020, stating that you accept the audit findings and the decision to revoke the Organization's charitable status for cause.

Audit Conclusion

The audit by the CRA found that the Organization is not complying with the requirements set out in the Act. In particular, it was found that the Organization failed to devote resources to charitable activities carried on by the Organization itself; 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; failed to maintain adequate books and records; and failed to file an information return as and when required by the Act and/or its Regulations. For these reasons, it is our position that the Organization no longer meets the requirements for charitable registration.

Consequently, for the reasons mentioned in our letter dated February 21, 2020, and pursuant to subsection 168(1), 149.1(2) and 149.1(14) of the Act, we hereby notify you of our intention to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, the revocation will be effective on the date of publication of the following notice in the Canada Gazette:

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(c), 168(1)(e), subsection 149.1(2), and subsection 149.1(14) of the Income Tax Act, of our intention to revoke the registration of the charity listed below and that by virtue of paragraph 168(2)(b) thereof, the revocation of registration will be effective on the date of publication of this notice in the Canada Gazette.

Business number
822771879RR0001

Name
Strategic Communications Ministries –
Canada
Sun City CA USA

Should the Organization choose to object to this notice of intention to revoke its registration in accordance with subsection 168(4) of the Act, a written notice of objection, with 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:

Assistant Commissioner
Appeals Branch
Canada Revenue Agency
13th Floor
250 Albert Street
Ottawa ON K1A 0L5

Should the Organization choose not to file an objection to this notice of intention to revoke with the CRA within this period, a copy of the revocation notice, described above, will be published in the Canada Gazette after the expiration of 90 days from the date this letter was mailed. As such, 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 intention 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) and 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 Form T2046, Tax Return Where Registration of a Charity is Revoked. Form T2046 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 RC4424, Completing the Tax Return Where Registration of a Charity is Revoked, are available on our website at canada.ca/charities-giving;
- c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the Excise Tax Act. As a result, the Organization may be subject to obligations and entitlements under the Excise Tax Act that apply to entities 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 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

Enclosures

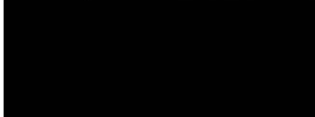
- CRA letter dated February 21, 2020
- Organization's response dated March 6, 2020
- Appendix A, Relevant provisions of the Act



February 21, 2020

Don Gregg
Vice President
Strategic Communications Ministries - Canada

BN: 822771879RR0001
File #: 3031045



Dear Don Gregg:

Subject: Audit of Strategic Communications Ministries - Canada

This letter results from the audit of the Strategic Communications Ministries - Canada (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from January 1, 2015 to December 31, 2016.

On November 9, 2018, the Organization was advised that the CRA identified specific areas of non-compliance with the provisions of the Income Tax Act and its Regulations in the following areas.

AREAS OF NON-COMPLIANCE		
	Issue	Reference
1.	Failure to devote resources to charitable activities carried on by the Organization itself / Making 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), 168(1)(b)
2.	Failure to maintain adequate books and records	230(2), 168(1)(e), 188.2(2)(a)
3.	Failure to file an information return as and when required by the Act and/or its Regulations	149.1(2), 149.1(14), 168(1)(c)

We acknowledge that in a letter dated December 31, 2018, the Organization requested voluntary revocation of its charitable status in lieu of addressing the issues raised during the audit, citing that the board came to the conclusion that the Organization should close due to the difficulties in finding new board members and that the one donor has closed its foundation. The Organization further indicated that it notified its banking establishment to close its accounts as of December 31, 2018. The Organization included a copy of the special resolution to dissolve the Organization and letters of resignation from the remaining board members.

A registered charity may request that its charitable status be voluntarily revoked, however, the granting of voluntary revocation is a discretionary process on the part of the CRA. Based on our audit findings, it is our opinion that voluntary revocation is currently not a suitable resolution, and the Organization's request will not be granted at this time.

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements that apply to registered charities, and offers the Organization an opportunity to respond and present additional information. The Organization must comply with the law; if it does not, its registered status may be revoked in the manner described in section 168 of the Act.

Identified areas of non-compliance

1. Failure to devote resources to charitable activities carried on by the organization itself / Making 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

To comply with the requirement that it devote all of its resources to charitable activities carried on by the organization itself; a registered charity may only use its resources (funds, personnel and/or property) in two ways:

- for its own 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.¹

A charity's own charitable activities may be carried out by its directors, employees or volunteers, or through intermediaries (a person or non-qualified donee that is separate from the charity, but that the charity works with or through, such as an agent, contractor or partner). If acting through an intermediary, the charity must establish that the activity to be conducted will further its charitable purposes, and that it maintains continued direction and control over the activity and over the use of the resources it provides to the intermediary to carry out the activity on its behalf.²

Although there is no legal requirement to do so, and the same result might be achieved through other arrangements or means, entering into a written agreement can be an effective way to help meet the own activities test. However, the existence of an agreement is not enough to prove that a charity meets the own activities test. The charity must be able to show that the terms establish a real, ongoing, active relationship with the intermediary,³ and are actually implemented. A charity must

¹ A "qualified donee" means a donee described in subsection 149.1(1) of the Act. As per subsection 149.1(6)(b), a charitable organization shall be considered to be devoting its resources to charitable activities carried on by it to the extent that, in any taxation year, it disburses not more than 50% of its income for that year to qualified donees.

² For more information, see CRA Guidance CG-002, Canadian Registered Charities Carrying Out Activities Outside Canada and Guidance CG-004, Using an Intermediary to Carry Out Activities Within Canada.

³ See, for example, *The Canadian Committee for the Tel Aviv Foundation v. Her Majesty the Queen*, 2002 FCA 72 (Canadian Committee for the Tel Aviv Foundation) at para. 30.

record all steps taken to exercise direction and control as part of its books and records, to allow the CRA to verify that the charity's funds have been spent on its own activities. While the nature and extent of the required direction and control may vary based on the particular activity and circumstances, the absence of appropriate direction and control indicates that an organization is resourcing a non-qualified donee in contravention of the Act.

In this regard, we refer to the comments of the Federal Court of Appeal in *The Canadian Committee for the Tel Aviv Foundation vs. Her Majesty the Queen*⁴:

"Pursuant to subsection 149.1(1) of the [Income Tax 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..."

And

"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".

As re-iterated by the Court in *Lepletot v MNR*⁵, an organization may carry on charitable activities through an agent if the activities are conducted on behalf of the organization. However, it is not enough for an organization to fund an intermediary that carries on certain activities. The Act requires that the intermediary actually conduct those activities on the organization's behalf. Likewise, the Court in *Canadian Magen David Adom for Israel* mentions the importance of monitoring the activities when it stated that:

[A] charity that chooses to carry out its activities in a foreign country through an agent or otherwise must be in a position to establish that any acts that purport to be those of the charity are effectively authorized, controlled and monitored by the charity.⁶

The Organization is conducting its purported activities through agents that are pre-existing entities, and, most, if not all, the purported activities are already being conducted by those pre-existing entities. For these reasons, the existence of an arrangement between the Organization and the entities that demonstrates that the Organization exercises sufficient and continuing direction and control over, and full accountability for, all its resources and related activities, is critical.

Given the information we have received and reviewed, it is our position that the Organization does not exercise the required degree of direction and control over the use

⁴*The Canadian Committee for the Tel Aviv Foundation vs. Her Majesty the Queen*, 2002 FCA 72 (FCA) at paragraphs 40 and 30 respectively

⁵*Lepletot v MNR*, 2006 FCA 128 at para 5, [2006] 3 CTC 252.

⁶*Canadian Magen David Adom for Israel v MNR*, 2002 FCA 323 at para 66, [2002] FCJ no 1260.

of its funds, or over the activities conducted with those funds, to establish that it is carrying out its own charitable activities in accordance with the provisions of the Act. Rather, it appears that the Organization is acting as a conduit: funding the programs of its agents. The following outlines the basis for our concerns.

Agency Agreement

During the audit period the Organization provided agency agreements with two agents. The Organization, as Principal, appointed the agents to assist it in carrying out its charitable activities.

The audit findings disclosed that:

- The agency agreement between the Organization and [REDACTED] is in Hebrew and cannot be interpreted by the CRA (see books and records section below).

Further, the audit disclosed the following non-compliance issues with the amended agency agreement between the Organization and Strategic Communications Group (SCG):

- Provision 1.1 of the agreement requires SCG to carry out ministry projects specifically set out from time to time in Schedule B. Schedule B simply contains a general description. The Organization failed to provide a clear, complete, and detailed description of the activities to be carried out by SCG. Absent specification of the precise role the Organization will assume in the conduct of an activity, it cannot be concluded that the activity will be carried out in a manner that maintains ongoing direction and control. A general description allows for the Organization to simply act as a conduit, channelling monies to fund projects being conducted by others.
- Provision 2.1 requires complete books and records of all receipts and disbursements of any funds received from the Organization be maintained by the Organization and SCG. Further, provision 2.4 requires a budget for each project be established on or before the beginning of each fiscal year. In our letter dated August 29, 2018, we requested copies of budgets, financial reports, progress reports, and bank statements. The only documents provided were bank statements for what appears to be SCG's main operating accounts (0040441999 & 0071227250).
- Provision 2.2 requires funds of the Organization be segregated from any other funds that SCG receives. Absent financial reports from SCG, we were unable to verify if this requirement was met.
- Provision 2.3 requires the Organization to make payments to SCG by installments and only upon confirmation by reports provided by SCG. No such reports were provided; therefore, we were unable to verify if this requirement was met.

- Provisions 3.1 and 3.2 requires SCG to provide financial and narrative reports on a quarterly basis. We identified no examples of financial or narrative reports received from SCG.

Based on our review, we are concerned that, notwithstanding the agreements in place, it appears that the purpose of the Organization may not be to carry out its own activities, but to fund and facilitate the work of the agents. Our concerns are further substantiated by the following factors:

On May 5, 2015, the Organization deposited \$158,800 in SCG's bank account # [REDACTED] an account that also contained SCG funds. SCG subsequently made payments from this account to various US charities including, Alpha Omega Family Ministries (\$20,000), Christian Vision USA Inc. (\$19,000), and Kenetrom (\$20,300). In addition, a transfer of \$13,000 was deposited in SCG's chequing account, SCG subsequently made payments to various for-profit businesses including [REDACTED] totaling \$13,520.01. No receipts/invoices were provided in relation to these payments and the Organization was unable to demonstrate that its funds were not used for these payments..

The Organization's board minutes dated August 30, 2016, states "it was unanimously decided that John Tayloe and Don Gregg should transfer the amount \$230,000 (Canadian Dollars) to the following project partner (Strategic Communications Group – USA):... Account: [REDACTED] routing: [REDACTED] .. Use of funds: For operational, engineering and expense of the Voice of Hope Christian radio station in Israel – invoice." No wire transfer documents were found in the records showing where the funds were sent, nor were invoices or corresponding expense documentation provided regarding how the funds were spent.

Absent supporting documentation, it is not clear that the Organization maintains communication with SCG beyond its disbursement of funds. It appears that once the Organization transfers its funds, its involvement in, and authority over, the actual conduct of any substantive activity is limited to providing the funds to SCG.

Furthermore, based on a [REDACTED] Banking document provided, the Organization wire transferred \$1,034,000 to [REDACTED] account [REDACTED] on August 1, 2016. The reason was listed as "Loan for [REDACTED]" The loan was purportedly used for the construction of the [REDACTED] radio station in Israel. The Organization failed to provide a loan agreement and supporting documentation relating to the loan. The loan was not recorded in the Organization's books and records and no records were provided to indicate that any repayments of the loan have been received by the Organization.

Also, based on the Organization's board minutes dated August 24, 2016, a resolution was passed to wire transfer \$134,162 USD to [REDACTED] to purchase a broadcast transmitter for [REDACTED] A 25% down payment indicated a radio transmitter was

purchased and shipped to Israel and is currently being used by [REDACTED]. No supporting documentation was provided to establish that the Organization has retained ownership of the radio transmitter.

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

The Organization reported \$13,523 for office supplies expenses on line 4840 of its 2016 Registered Charity Information Return (Form T3010) and \$1,051 in 2015. These expenses were incurred on behalf of Alpha Omega Family Ministries (the Ministries), a non-qualified donee. We were unable to identify an agency agreement between the Organization and the Ministries. Given the absence of an appropriately structured arrangement (such as an agency agreement) establishing the Organization's necessary direction and control over its funds and purported activities, we conclude that the Organization was funding a non-qualified donee, contrary to the provisions of the Act.

Given that the Organization has not devoted all of its resources to its own charitable activities, or gifted funds only to qualified donees as defined in the Act, it has failed to meet the definitional requirements of paragraphs 149.1(1) and 149.1(2) of the Act. For this reason, it is our position that there are grounds for the Minister to revoke the charitable status of the Organization under paragraph 168(1)(b) of the Act.

2. 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 related."

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:

- i. it is the responsibility of the registered charity to prove that its charitable status should not be revoked;⁷
- ii. 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;⁸ and
- iii. 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.⁹

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 an agency agreement, the audit demonstrated that the Organization has, in general, failed to maintain adequate books and records of account.

- The books and records were maintained outside of Canada in the care of Don Gregg at [REDACTED] during the audit periods and not at an address in Canada as required by subsection 230(2) of the Act.
- As outlined above, we were unable to verify the activities being carried out by [REDACTED], and other details relating to whether the Organization's resources were devoted to its own charitable activities because the agency agreement is in Hebrew. While the Act does not explicitly require records to be kept in one of the two official languages of Canada (English or French), charities are strongly advised to do so. Records in other languages cannot be interpreted by the CRA and therefore are not effective in meeting the requirements of the Act at paragraph 230(2), which states that information must be kept "in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act."
- We acknowledge that the Organization did provide some receipts, invoices, bank statements, statements of deposits, wire transfers and donor updates of amounts deposited or wire transferred to Israel and SCG with a note as to their purpose or a cost summary for documentation regarding how the funds were devoted; however, it is not sufficient to allow us to verify if the Organization maintains the necessary direction and control over its resources and purported activities.

⁷ See Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72, [2002] 2 CTC 93 at paras 26-27.

⁸ Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72, [2002] 2 CTC 93; The Lord's Evangelical Church of Deliverance and Prayer of Toronto v. Canada, (2004) FCA 397.

⁹ See Prescient Foundation v MNR, 2013 FCA 120, [2013] FCJ no 512 at para 51.

- The agency agreements and limited supporting documentation did not establish that the Organization's activities were effectively authorized, controlled and monitored by the Organization.

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) of the Act. It is our position that the present case consists of material non-compliance and it appears that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

3. Failure to file an information return as and when required by the Act and/or its Regulations

Subsection 149.1(14) of the Act states that:

Every registered charity and registered Canadian amateur athletic association shall, within six months from the end of each taxation year of the charity or association and without notice or demand, file with the Minister both an information return and a public information return for the year in prescribed form and containing prescribed information.

It is the responsibility of the Organization to ensure that the information provided in its Form T3010, the related schedules and statements, is factual and complete in every aspect. A charity is not meeting its requirements to file an information return in prescribed form if it fails to exercise due care with respect to ensuring the accuracy thereof. The Federal Court of Appeal has confirmed that major inaccuracies in a Form T3010 are a sufficient basis for revocation.¹⁰

During our review we noted the following missing or incorrect information on the Form T3010s filed for the fiscal periods ending December 31, 2015 and December 31, 2016:

1. Section C: Programs and General Information:
The Organization's representative indicated during the initial interview on August 21, 2018, that during the audit period the Organization engaged in a new joint missionary broadcast project to establish the first Christian radio station in Israel with international reach into Syria, Lebanon, Jordan and Cyprus. The Organization's role would be to provide oversight, vision and financial support towards the feasibility study, government negotiations, engineering, broadcast equipment commitments and legal representations leading up to the [REDACTED] receiving a broadcast license and radio frequency from the Israeli government for missionary broadcast from Israel. However, it did not include this information in Section C, New Programs, on its Form T3010 for the 2015 or 2016 fiscal periods.

¹⁰ Opportunities for the Disabled Foundation v MNR, 2016 FCA 94 at paras 48-51.

2. Section FL Confidential Data:

The Organization did not enter an address in Canada for its books and records as required. In addition, it listed its physical address as [REDACTED]

[REDACTED] who stated on October 29, 2018, that he has not been on the board or involved with the Organization for at least five years.

3. Schedule 6, Detailed Financial Information:

- a. Line 4165, Capital assets outside of Canada, was reported incorrectly. The Organization's records show it purchased a radio transmitter which is not included in its assets and shipping records show this asset was sent to Israel.
- b. Line 4500, Total eligible amount of all gifts for which the charity issued tax receipts, was incorrectly reported for both the 2015 and 2016 fiscal periods. No amounts were received by way of gift, other than amounts from another registered charity in Canada, nor were any official donation receipts issued during these fiscal periods. These amounts should have been listed on line 4510, Total amount received from other registered charities.
- c. Line 4840, Office supplies and expenses, was completed incorrectly for the 2015 and 2016 fiscal periods. The Organization reported office expenses which it represented as being payment to Alpha Omega Ministries for bookkeeping expenses, which would make them professional fees and not office related expenses.
- d. Line 4950, Total expenditures before gifts to qualified donees, was completed incorrectly. The Organization transferred funds from its operation account to several overseas organizations; however, the records indicated that some of the amounts transferred to Israel appeared to be for legal or consulting fees. These expenses should have been included on line 4860, professional and consulting fees.
- e. Line 5000, Total expenditures on charitable activities, was completed incorrectly for both the 2015 and 2016 fiscal periods. The legal fees for [REDACTED] and the consulting fees to [REDACTED] reported on line 4860 were allocated on line 5000 as charitable expenditures. They should have been included on line 5010, as legal and consulting fees are expenditures on management and administration.

4. Property not used in charitable activities

For the 2015 and 2016 fiscal periods the Organization did not complete lines 5900 and 5910 regarding the value of property not used for charitable activities or administration during the 24 months before the beginning of the fiscal period and the 24 months before the end of the fiscal period.

The Organization's options:

a) Respond

If the Organization chooses to respond, send written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter to the address below. After considering the response, the Director General of the Charities Directorate will decide on the appropriate course of action. The possible actions include:

- no compliance action;
- issuing an educational letter;
- resolving the issues through a Compliance Agreement;
- applying penalties or suspensions or both, as described in sections 188.1 and 188.2 of the Act; or
- issuing a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

b) Do not respond

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

If the Organization appoints a third party to represent it in this matter, send us a written request with the individual's name, the individual's contact information, and explicit authorization that the individual can discuss the file with us.

If you have any questions or require further information or clarification, do not hesitate to contact me at the numbers indicated below. My team leader, Francis Yu, may also be reached at 587-489-2402.

Yours sincerely,



Pamela Tribiger
Audit Division
Edmonton TSO

Telephone: 780 495-5133
Toll free: 1-800-267-2384 (Charities)
Fax: 780-495-2873
Address: Suite 10, 9700 Jasper Ave
Edmonton AB T5J 4C8
Website: www.canada.ca/charities-giving

c.c.:



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Strategic Communications Group Inc

FAX TRANSMITTAL FORM

To Pamela Tribiger

CRA Charities Audit Department

Fax #: 780-495-2873

From Strategic Communications Group

Don Gregg

Urgent

For Review

Please Comment

Date sent: 3-6-20

Time sent: 1:30 P.M.

Number of pages including cover page: 2

Message:

Pamela Enclosed is the document that was requested

Don Gregg

Memo March 6 | 2020

Strategic Communications Group

International Offices: Singapore, Tel Aviv, Hong Kong
London, Toronto and San JuanDon Gregg CEO


March 6, 2020
Pamela Tribiger
Audit Division- CRA
Fax 780-495-2873

Dear Pamela,

I have received your letter dated February 21, 2020 and as per our conversation, we accept the findings of the audit and the decision to revoke our charitable status for Strategic Communications Ministries- Canada for cause..

We have had a very difficult time finding a Board of Directors from Canada, which prevented us from meeting the regulations of the CRA. We realize that the findings are correct and we agree with the Revocation.

Thank you Pamela for your help in this matter

Sincerely



Don Gregg
Vice President & Treasurer
Strategic Communications Ministries-Canada

APPENDIX A

Qualified Donees

149.1 (1) Definitions

charitable foundation means a corporation or trust that is constituted and operated exclusively for charitable purposes, no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof, and that is not a charitable organization

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

(a) constituted and operated exclusively for charitable purposes,

(a.1) all the resources of which are devoted to charitable activities carried on by the organization itself,

(b) no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof,

(c) more than 50% of the directors, trustees, officers or like officials of which deal at arm's length with each other and with

(i) each of the other directors, trustees, officers and like officials of the organization,

(ii) each person described by subparagraph (d)(i) or (ii), and

(iii) each member of a group of persons (other than Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society or association described in paragraph 149(1)(l)) who do not deal with each other at arm's length, if the group would, if it were a person, be a person described by subparagraph (d)(i), and

(d) that is not, at the particular time, and would not at the particular time be, if the organization were a corporation, controlled directly or indirectly in any manner whatever

(i) by a person (other than Her Majesty in right of Canada or of a province, a municipality, another registered charity that is not a private foundation, and any club, society or association described in paragraph 149(1)(l)),

(A) who immediately after the particular time, has contributed to the organization amounts that are, in total, greater than 50% of the capital of the organization immediately after the particular time, and

(B) who immediately after the person's last contribution at or before the particular time, had contributed to the organization amounts that were, in total, greater than 50% of the capital of the organization immediately after the making of that last contribution, or

(ii) by a person, or by a group of persons that do not deal at arm's length with each other, if the person or any member of the group does not deal at arm's length with a person described in subparagraph (i)

qualified donee, at any time, means a person that is

(a) registered by the Minister and that is

a housing corporation resident in Canada and exempt from tax under this Part because of paragraph 149(1)(i) that has applied for registration,

(ii) a municipality in Canada,

a municipal or public body performing a function of government in Canada that has applied for registration,

(iv) a university outside Canada, the student body of which ordinarily includes students from Canada, that has applied for registration, or

(v) a foreign charity that has applied to the Minister for registration under subsection (26),

(b) a registered charity,

(c) a registered Canadian amateur athletic association, or

(d) Her Majesty in right of Canada or a province, the United Nations or an agency of the United Nations

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;
- (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; and
- (f) of a registered charity, if it accepts a gift from a foreign state, as defined in section 2 of the State Immunity Act, that is set out on the list referred to in subsection 6.1(2) of that Act.

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.

Tax and Penalties in Respect of Qualified Donees

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) a registered charity
 - (i) 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,
 - (ii) that is not the subject of a suspension under subsection 188.2(1),
 - (iii) that has no unpaid liabilities under this Act or under the Excise Tax Act,
 - (iv) that has filed all information returns required by subsection 149.1(14), and
 - (v) 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; or
- (b) a municipality in Canada that is approved by the Minister in respect of a transfer of property from the particular charity.

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) Joint and several, or solidary, liability – tax transfer

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 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 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 described in paragraph 188(1.3)(a) 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.