



August 4, 2022

**REGISTERED MAIL**

Lincoln Gagnon  
Secretary  
Temple du Reveil Miraculeux du St-Esprit Inc./  
Holy Ghost Miracle Revival Temple Inc.

BN: 119210193RR0001  
File Number: 0505370

Dear Lincoln Gagnon:

**Subject: Notice of Penalty**  
**Temple du Reveil Miraculeux du St-Esprit Inc./**  
**Holy Ghost Miracle Revival Temple Inc.**

We are writing further to our letter dated December 22, 2021 (copy enclosed), in which you were invited to submit representations as to why the Canada Revenue Agency (CRA) should not assess a penalty against Temple du Reveil Miraculeux du St-Esprit Inc./ Holy Ghost Miracle Revival Temple Inc. (the Organization) in accordance with section 188.1 of the Income Tax Act.

We have now reviewed and considered your written response of January 20, 2022. However, notwithstanding your reply, our concerns with respect to the Organization's non-compliance with the requirements of subsection 188.1(4) of the Act have not been alleviated. The Organization is therefore subject to a penalty under subsection 188.1(4) of the Act.

**Background information**

The Organization has been the subject of four prior audits, ending in 1990, 1998, 2007, and 2014. The current audit was conducted as a follow-up to the Organization's compliance agreement signed February 13, 2014. Among several other compliance measures, the Organization agreed to calculate, prepare and issue T4 and T4A prescribed forms and file them with CRA for personal and living expenses for each person. Additionally, the audits concluded in 1990, 1998, and 2007 identified that the Organization failed to file Form T4 and T4As, demonstrating a pattern of repeated non-compliance.

The current audit is for the Organization's fiscal periods ended November 30, 2016, and November 30, 2017. The following is our analysis and position on the Organization's representations to our letter of December 22, 2021.

### **Providing an undue benefit on a person**

As indicated in our letter of December 22, 2021, the Organization failed to correctly include the full value of the taxable benefits provided to its directors. The Organization paid for living expenses for its President and Secretary, who reside in houses that are owned by the Organization. The occupancy costs, such as mortgage payments and utility bills, are also paid by the Organization. While a reasonable taxable benefit was included in the T4/T4A slips with respect to occupancy costs, the Organization failed to report additional taxable benefits such as restaurant meals and vehicle expenses that were paid for by the Organization.

The Organization also provided two interest-free loans to two individuals. One loan recipient is a non-arm's length individual related to two directors by marriage, and the second individual is a family friend. Neither loan has a corresponding loan agreement nor any other documentation that outlines the specified terms of repayment or the duration or terms of the loans. It was found that minimal repayments have been made and the loans remain outstanding. The Organization indicated during the audit that while verbal suggestions were made to the debtors to repay the loans, the Organization did not enforce repayment plans, did not charge interest and did not take any collective action to recoup the outstanding loans. In addition, audit evidence showed that the Organization continued to advance additional funds to these parties without requiring repayment.

In its letter dated January 20, 2022, the Organization "accepts the audit's findings concerning the meals charged..., realizes the charges as an undue benefit and recognizes the fines levied against the infractions..." In relation to the automobile undue benefits for Lincoln Gagnon and Laurie Anne Cooper, the Organization indicated that "this is the Organization's first audit where logbooks were kept and therefore provided for inspection." For the automobile undue benefits allocated to Claude Gagnon, the Organization "understand[s] that the reluctance on [Claude Gagnon's] part to maintain proper records make this difficult to determine."

For both outstanding loans, the Organization "understands its failure to secure collateral and apply a reasonable interest rate to the loan." The Organization also clarified that [REDACTED] filed for bankruptcy on June 19, 2018; therefore, "it is the Organization's understanding that any legal procedure or attempt to recover the funds are now futile." Moreover, the Organization has "failed...to arrange a repayment schedule" with [REDACTED]

In addition to accepting responsibility for "its own disregard of proper procedures", the Organization has asked the CRA for "counsel and direction... to resolve [its non-compliance] as soon as possible."

### **CRA's response**

We acknowledge the Organization's desire to correct its non-compliance; however, the Organization's representations have not alleviated our concerns. In particular, we are concerned with the material and repeated non-compliance relating to improper issuance of T4 and T4A slips, and the issuance of loans without loan agreements that would protect the Organization's charitable assets.

Consequently, for each of the reasons mentioned in our letter dated December 22, 2021, we will assess the following penalties against the Organization for each year under audit pursuant to subsection 188.1(4) of the Act.

<b>Fiscal period ending</b>	<b>November 30, 2016</b>	<b>November 30, 2017</b>
Restaurant meals	\$ 8,304.59	\$ 5,575.91
Automobile benefits (C. Gagnon)	\$ 3,165.34	\$ 21,199.05
Automobile benefits (L. Gagnon)	\$ 11,402.36	\$ 11,239.31
Interests [REDACTED]	\$ 5,832.64	\$ 6,003.18
Interests [REDACTED]	\$ 978.35	\$ 1,006.95
Subtotal amounts subject to 188.1(4) penalty	\$ 29,683.28	\$ 45,024.40
Penalty %, as per 188.1(4)	105%	105%
Penalty amounts	\$ 31,167.44	\$ 47,275.62

### **Other non-compliance issues**

In our letter dated December 22, 2021, we raised concerns regarding the Organization's failure to issue proper T4/T4A slips, failure to maintain adequate books and records, failure to complete an accurate charity information return, and failure to issue proper donation receipts. In its representations of January 20, 2022, the Organization indicated its willingness to comply with the legislative and common law requirements applicable to registered charities, and that it is committed to addressing the non-compliance issues that we identified in our aforementioned letter.

While we acknowledge the Organization's representations, it is the responsibility of the Organization to ensure it remains compliant with all requirements for maintaining its charitable registration. Should the Organization continue to fail to meet these requirements in any future audit, notice may be given to either assess a financial penalty, suspend the Organization's tax receipting privileges or propose revocation of the Organization's registration by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

### Penalty assessment

The penalty to be assessed by the CRA is calculated as follows:

Fiscal period ending	November 30, 2016	November 30, 2017
Undue benefits	\$ 29,683.28	\$ 45,024.40
Subsection 188.1(4)	105%	105%
Total penalty owing per subsection 188.1(4)	\$ 31,167.44	\$ 47,275.62

In accordance with subsection 189(6.3) of the Act, the penalty may be paid to an eligible donee as defined in subsection 188(1.3). An eligible donee in respect of a particular charity is a **registered charity**:

1. 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;
2. that is not subject to a suspension of tax-receipting privileges;
3. that has no unpaid liabilities under the Income Tax Act or the Excise Tax Act;
4. that has filed all its information returns; and
5. that is not subject to a security certificate under the Charities Registration (Security Information) Act.

The CRA requires the following documentation to confirm that the eligible donee received the penalty payment:

- a letter addressed to the Director, Compliance Division, (mailed to the address below), signed by an authorized representative of the eligible donee, confirming the penalty payment was received and the amount paid; and
- a copy of either the cancelled cheque or evidence of a non-cash transfer.

Please note that in accordance with subsection 149.1(1.1) of the Act, the penalty payment made to an eligible donee shall not be deemed to be an amount expended on charitable activities nor a gift made to a qualified donee.

Conversely, should you choose to make your payment to the CRA, please make the cheque payable to the "Receiver General for Canada". For more information about payments by cheque, go to [canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/pay-cheque.html](http://canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/pay-cheque.html).

In either case, all documentation regarding the penalty payment should be mailed to:

Charities Directorate  
Canada Revenue Agency  
Ottawa, ON K1A 0L5

The penalty takes effect immediately, and by virtue of paragraph 189(9)(b) of the Act, any amount of the penalty that remains unpaid as of the day that is one year after the mailing date of the Notice of assessment is subject to interest in accordance with subsection 161(11) of the Act.

Failure to pay this penalty amount or make arrangements for payment will result in the CRA reconsidering its decision not to proceed with the issuance of a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

### **Appeal process**

Should you wish to appeal this notice of penalty in accordance with subsection 165(1) 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 mailing of the Notice of Assessment which will be mailed to you separately. The notice of objection should be sent to:

Assistant Commissioner  
Appeals Intake Centre  
Post Office Box 2006, Station Main  
Newmarket ON L3Y 0E9

### **Public notice**

By virtue of paragraph 241(3.2)(g) of the Act, the following information relating to the Organization's penalty assessment will be posted on the [canada.ca/charities-giving](http://canada.ca/charities-giving) website:

### **Penalty**

Effective date of penalty:	
Reason for penalty:	Undue benefits
Amount of penalty:	\$ 78,443.06
Income Tax Act reference:	188.1(4)(a)

A registered charity must comply with all provisions of the Act. The CRA strongly encourages the Organization to take appropriate actions to remedy the issue that led to the assessment of the penalty which may be subject to a future review.

If you have any questions or require further information or clarification regarding the penalty payment, please contact Safiyyah Kalamadeen at 343-576-1976 .

We trust the foregoing fully explains our position.

Yours sincerely,

*Sharmila P. Khare*

Sharmila Khare  
Director General  
Charities Directorate

Enclosures

- CRA letter dated December 22, 2021
- Organization's response of January 20, 2022

c.c.: Claude A Gagnon



Canada Revenue  
Agency

Agence du revenu  
du Canada

December 22, 2021

Lincoln Gagnon  
Secretary  
Holy Ghost Miracle Revival Temple

BN: 119210193RR0001  
File #: 0505370

**REGISTERED MAIL**

Dear Lincoln Gagnon:

**Subject: Audit of Holy Ghost Miracle Revival Temple**

This letter results from the audit of the Holy Ghost Miracle Revival Temple (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period of December 1, 2015 to November 30, 2017.

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

	<b>Areas of non-compliance</b>	<b>Reference</b>
1.	Providing an undue benefit on a person	149.1(2), 168(1)(b), 188.1(4), 188.1(5)
2.	Failure to issue proper T4/T4A slips	149.1(2), 168(1)(b)
3.	Failure to maintain adequate books and records	149.1(2), 230(2), 168(1)(b), 168(1)(e), 188.2(2)(a)
4.	Failure to complete an accurate charity information return	149.1(2), 149.1(14) 168(1)(c), 188.1(6)
5.	Failure to issue proper donation receipts	149.1(2), 168(1)(d), 188.1(7), Regulation 3500 & 3501

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements applicable to registered charities, and which may be subject to sanctions under the Act. The Organization will also be provided with the opportunity to make representations or present additional information as to why a sanction should not be applied.

Registered charities must comply with the law, failing which penalties and/or suspensions may be applicable pursuant to sections 188.1 and/or 188.2 of the Act. These include suspension of the Organization's authority to issue official receipts and suspension of its status as a "qualified donee". While the purpose of a sanction is to provide an alternative to revocation, notice may still be given of our 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.

The balance of this letter describes the identified areas of non-compliance and the sanction(s) proposed in further detail.

### **Previous audit findings**

There have been four previous audits which were finalized in the following years: 1990, 1998, 2007 and 2014.

The failure to file T4, T4A and/or T5 slips was an issue of non-compliance that was raised in all previous audits. This current audit is a follow-up on the compliance agreement which was signed on February 13, 2014.

### **Identified areas of non-compliance subject to a penalty**

#### **1. Providing an undue benefit on a person**

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.

A "qualified donee" means a donee defined in subsection 149.1(1). Qualified donees are as follows:

- a registered charity (including a registered national arts service organization);
- a registered Canadian amateur athletic association;
- a listed housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
- a listed Canadian municipality;
- a listed municipal or public body performing a function of government in Canada;
- a listed university outside Canada that is prescribed to be a university, the student body of which ordinarily includes students from Canada;
- a listed charitable organization outside Canada to which Her Majesty in right of Canada has made a gift;



- Her Majesty in right of Canada or a province; and
- the United Nations and its agencies.

As the Act specifically states what constitutes a qualified donee, applying the maxim “expressio unius est exclusio alterius” means that entities not expressly stated in this list are not considered qualified donees.

### **Audit Findings:**

The audit revealed that the Organization prepared and issued the T4 and T4A information slips. However, the Organization failed to correctly include the full value of the taxable benefits provided to the directors during the period under review. The Organization has continued to pay for several personal living expenses such as housing, food and transportation costs for Claude Gagnon (President) and Lincoln Gagnon (Secretary). The aforementioned directors reside in houses that are owned by the Organization. The occupancy costs such as mortgage payments and utility bills are also covered by the Organization. While a reasonable taxable benefit was included in the T4 and/or T4A slips of the directors with respect to the occupancy costs, the Organization failed to report additional taxable benefits provided to the directors. Specifically, the Organization paid for the restaurant meals of Claude Gagnon. The Organization also provided vehicles to Lincoln Gagnon and Claude Gagnon. It is our view that the additional unreported taxable benefits represent an undue benefit provided by the Organization to the aforementioned directors.

Additionally, the audit revealed that the Organization has two outstanding interest-free loans receivable. The first loan was provided to a non-arm's length party named [REDACTED]. The second was provided to [REDACTED]. It is our view that these loans are unreasonable, particularly in the absence of a written bona fide agreement. By providing interest-free loans for purposes that are not in furtherance of its stated objects, the Organization has conferred a benefit on its debtors.

It is our position that a penalty under paragraph 188.1(4) in respect of an undue benefit will be applied. The basis for our position is described in detail below.

### **Restaurant Meals**

Claude Gagnon was not required to work away from the regular place of business during the audit period. Hence, the restaurant meals cannot be considered travelling expenses. Additionally, these meals were not consumed to further the charity's purposes. The Organization has therefore provided an undue benefit to Claude Gagnon by paying for his personal living expenses.

The credit card statements were examined to determine the restaurant expenditures paid by the Organization for the benefit of Claude Gagnon. The audit revealed that some expenditures were incurred outside of Quebec in the fiscal year 2016. A total amount of

\$184.71 was excluded from the calculation as Claude Gagnon performed clerical duties outside of Quebec in the fiscal year of 2016. The restaurant expenditures which are considered personal expenses and were paid by the Organization totalled \$8,304.59 in the year-ended November 30, 2016 and \$5,575.91 in the year-ended November 30, 2017.

The following restaurant expenses were charged on the [REDACTED] ending in [REDACTED] in the fiscal year 2016 and then paid by the Organization on behalf of Claude Gagnon (these expenditures do not include the ones related to Claude Gagnon's duties outside of Quebec, as they have been accepted):

Month	Restaurant Expenses
December 2015	\$ 601.06
January 2016	\$ 562.86
February 2016	\$ 451.25
March 2016	\$ 776.37
April 2016	\$ 643.00
May 2016	\$ 949.91
June 2016	\$ 1,027.55
July 2016	\$ 785.34
August 2016	\$ 258.96
September 2016	\$ 419.01
October 2016	\$ 830.22
November 2016	\$ 999.06
Total	<u>\$ 8,304.59</u>

The following monthly restaurant expenditures were charged on the [REDACTED] ending [REDACTED] in the fiscal year of 2017 and then paid by the Organization in behalf of Claude Gagnon:

Month	Restaurant Expenses
December 2016	\$ 657.71
January 2017	\$ 648.00
February 2017	\$ 840.44
March 2017	\$ 707.05
April 2017	\$ 847.88
May 2017	\$ 792.74
June 2017	\$ 934.27
July 2017	\$ 147.82
August 2017	\$ -
September 2017	\$ -
October 2017	\$ -

November 2017	\$	-
Total	\$	<u>5,575.91</u>

#### Automobile Benefits

During the audit, it was revealed that the Organization provided vehicles to Claude Gagnon and Lincoln Gagnon. The Organization failed to issue proper T4 slips for Claude Gagnon and Lincoln Gagnon as the Organization did not properly calculate the business use of the vehicle. The Organization incorrectly considered the mileage between the director's personal residence and the church as mileage incurred for charitable purposes (i.e. referred to as business purposes for the calculation of the automobile benefit). The church located at [REDACTED] represents a regular place of business and the mileage between the employee's personal residence and their regular place of work is considered personal use. As a result, the mileage for business-related activities which was calculated by the Organization was significantly overstated which resulted in a minimal taxable benefit.

The Organization provided a leased [REDACTED] 2013 to Claude Gagnon for 10 months during the fiscal period ending November 30, 2016. As of October 2016, the Organization provided a financed [REDACTED] 2016. The Organization provided a [REDACTED] 2011 to Lincoln Gagnon and his wife, Laurie Ann Cooper. The discrepancy between the amount reported in box 34, personal use of employer's automobile or motor vehicle, of the T4 slip and the revised amount of the taxable benefit calculated by CRA will be subject to a penalty in respect of an undue benefit.

Based on our revised calculations using the logbook provided by the Organization, the personal use percentage was revised as follows :

Year	Claude Gagnon	Lincoln Gagnon
2016	[REDACTED] 2013 : 48 %	96 %
	[REDACTED] 2016 : 100 %	
2017	100 %	63 %

The undue benefit as a result of the additional taxable benefit to be reported in box 34 – personal use of employer's automobile or motor vehicle – of the T4 slip provided to Claude Gagnon is as follows:

Year	Amount in box 34 of the T4 slip as per the Organization	Revised amount in box 34 of the T4 slip as per the CRA	Undue Benefit
2016	\$ 2,547.44	\$ 5,712.78	\$ 3,165.34
2017	\$ 1,741.91	\$ 22,940.96	\$ 21,199.05

The undue benefit as a result of the additional taxable benefit to be reported in box 34 – personal use of employer's automobile or motor vehicle – of the T4 slip provided to Lincoln Gagnon is as follows:

Year	Amount in box 34 of the T4 slip as per the Organization	Revised amount in box 34 of the T4 slip as per the CRA	Undue Benefit
2016	\$ 6,533	\$ 17,935	\$ 11,402.36
2017	\$ 7,477	\$ 18,717	\$ 11,239.31

Details regarding the revised calculations of the automobile benefits are found in Appendix A, attached.

#### Interest-Free Loans Receivable

The Organization reported an amount receivable from all others of \$121,491 on line 4120 of the T3010, Registered Charity Information Return, in the fiscal year-ended November 30, 2018. It was revealed that the Organization has two outstanding interest-free loans as follows:

			Total
Balance on November 30, 2016:	\$ 102,317	\$ 17,164	\$ 119,481
Balance on November 30, 2017:	\$ 102,317	\$ 17,164	\$ 119,481

#### i. Interest-Free Loan Receivable from Daniel Houle

The Organization loaned a total of \$111,976.98 to [REDACTED]. The repayment schedule indicates that an amount of \$4,000 was first provided to [REDACTED] in November 1997. A search on the Registraire des entreprises du Québec confirmed that [REDACTED] is the shareholder of [REDACTED]. Additionally, the repayment schedule shows "loan to [REDACTED] starting 2016. Therefore, [REDACTED] is considered to be the debtor of this loan. More over, the audit revealed that [REDACTED] is the [REDACTED] which is the [REDACTED] (Organization's President) and [REDACTED] of Lincoln Gagnon (Organization's Trustee). Therefore, it appears that the main reason supporting the allowance of this loan is based on the non-arm's length relationship between [REDACTED] and the board members of the Organization. The Organization also mentioned that the purpose of this loan was to "pay debts, mortgage, etc.". This loan carried an outstanding balance of \$101,117 as of December 2019.

ii. Interest-Free Loan Receivable from [REDACTED]

The Organization loaned a total of \$17,164 to [REDACTED] for "personal" reasons. The repayment schedule provided by the Organization revealed that a first loan of \$10,000 was given to [REDACTED] on January 16, 2014. On February 11, 2014, an additional amount of \$7,164 was provided to [REDACTED]. The Organization informed CRA that it had borrowed \$7,000 from an individual named [REDACTED] in order to provide the loan to Michel Martineau. While the loan provided to [REDACTED] bears no interest, the Organization stated that the amount was repaid to [REDACTED] with interest. This loan carried an outstanding balance of \$15,164 as of December 2019.

The audit revealed that the Organization provided loans to debtors without a loan agreement that sets forth the basic terms and conditions. While "verbal suggestions" were made to the debtors to start repaying, the Organization did not enforce a repayment plan or charge interest. Rather, the Organization continued to provide advances without demanding repayments. For instance, the Organization provided an additional \$4,500 to [REDACTED] in the fiscal year of 2006 as well as an additional \$8,800 in the fiscal year of 2007. However, there had been no repayments made by [REDACTED] since 2002. Minimal repayments had resumed in 2008. These repayments totalled \$1,500 in the fiscal year-ending in 2008. The Organization continued to provide advances to [REDACTED] which totalled \$13,100 in 2009 even though no repayments were made by him that same year. This trend was observed until 2015 as the Organization's advances exceeded [REDACTED] repayments by a significant margin. Similarly, the loan provided to [REDACTED] in 2014 has not been repaid and minimal repayments have been made.

It is our position that in failing to collect interest on the outstanding amounts owed to the Organization, an undue benefit was conferred on the debtors. The undue benefit conferred on the debtors is calculated as the foregone interest charges over the audit period. Generally, a person will get a loan from a financial institution at a higher rate than the prime rate. Several factors are considered in determining an appropriate interest rate to be charged on a loan. It appears there is no secured collateral or default terms in case of a missing repayment or loan default which puts the Organization at a significant credit risk. Hence, in the absence of a loan agreement, reasonable repayment terms and a pledged asset, an appropriate market interest rate to reflect the Organization's credit risk would be prime plus 3% per annum. As of today, the Organization did not provide us with any due diligence to support the allowance of these loans nor the actions taken to recover the payments.

The calculation of the interest charges on the loan receivable from [REDACTED] is as follows:

Month	Prime Rate	Prime Rate + 3%	Outstanding Balance	Interest Charges
December 2015	2.70%	5.70%	\$ 102,327	\$ 486.05

January 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
February 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
March 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
April 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
May 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
June 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
July 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
August 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
September 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
October 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
November 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
				<u>\$ 5,832.64</u>

December 2016	2.70%	5.70%	\$ 102,327	\$ 486.05
January 2017	2.70%	5.70%	\$ 102,327	\$ 486.05
February 2017	2.70%	5.70%	\$ 102,327	\$ 486.05
March 2017	2.70%	5.70%	\$ 102,327	\$ 486.05
April 2017	2.70%	5.70%	\$ 102,327	\$ 486.05
May 2017	2.70%	5.70%	\$ 102,327	\$ 486.05
June 2017	2.70%	5.70%	\$ 102,327	\$ 486.05
July 2017	2.95%	5.95%	\$ 102,327	\$ 507.37
August 2017	2.95%	5.95%	\$ 102,327	\$ 507.37
September 2017	3.20%	6.20%	\$ 102,327	\$ 528.69
October 2017	3.20%	6.20%	\$ 102,327	\$ 528.69
November 2017	3.20%	6.20%	\$ 102,327	\$ 528.69
				<u>\$ 6,003.18</u>

The calculation of the interest charges on the loan receivable from [REDACTED] is as follows:

Month	Prime Rate	Prime Rate + 3%	Outstanding Balance	Interest Charges
December 2015	2.70%	5.70%	\$ 17,164	\$ 81.53
January 2016	2.70%	5.70%	\$ 17,164	\$ 81.53
February 2016	2.70%	5.70%	\$ 17,164	\$ 81.53
March 2016	2.70%	5.70%	\$ 17,164	\$ 81.53

April 2016	2.70%	5.70%	\$	17,164	\$	81.53
May 2016	2.70%	5.70%	\$	17,164	\$	81.53
June 2016	2.70%	5.70%	\$	17,164	\$	81.53
July 2016	2.70%	5.70%	\$	17,164	\$	81.53
August 2016	2.70%	5.70%	\$	17,164	\$	81.53
September 2016	2.70%	5.70%	\$	17,164	\$	81.53
October 2016	2.70%	5.70%	\$	17,164	\$	81.53
November 2016	2.70%	5.70%	\$	17,164	\$	81.53
						<u>\$ 978.35</u>
December 2016	2.70%	5.70%	\$	17,164	\$	81.53
January 2017	2.70%	5.70%	\$	17,164	\$	81.53
February 2017	2.70%	5.70%	\$	17,164	\$	81.53
March 2017	2.70%	5.70%	\$	17,164	\$	81.53
April 2017	2.70%	5.70%	\$	17,164	\$	81.53
May 2017	2.70%	5.70%	\$	17,164	\$	81.53
June 2017	2.70%	5.70%	\$	17,164	\$	81.53
July 2017	2.95%	5.95%	\$	17,164	\$	85.10
August 2017	2.95%	5.95%	\$	17,164	\$	85.10
September 2017	3.20%	6.20%	\$	17,164	\$	88.68
October 2017	3.20%	6.20%	\$	17,164	\$	88.68
November 2017	3.20%	6.20%	\$	17,164	\$	88.68
						<u>\$ 1,006.95</u>

It is our view that the Organization's assets were mismanaged and as a result an undue benefit was conferred as defined in subsection 188.1(5) of the Act. It is the directors' fundamental responsibility to properly manage the assets of the charity and act in the its best interest. In order to be considered as investments, and therefore, an acceptable use of resources, amounts owing from debtors must have the proper characteristics of an investment. That is, they must be adequately secured, payment of principal and interest must occur over a reasonable term, and the interest charged and received by the charity would be similar to that charged in the open market between two entities acting independently of each other. As these conditions are not met, it raises concerns that the Organization is providing a benefit to the debtors, and that the directors have not met their fiduciary duty.

**Penalty Proposed:**

Subsection 188.1(4) of the ITA provides for the levying of a penalty to charity organizations under specific circumstance:

A registered charity or registered Canadian amateur athletic association that, at a particular time in a taxation year, confers on a person an undue benefit is liable to a penalty under this Part for the taxation year equal to

- (a) 105% of the amount of the benefit, except if the charity or association is liable under paragraph (b) for a penalty in respect of the benefit; or
- (b) if the Minister has, less than five years before the particular time, assessed a liability under paragraph (a) or this paragraph for a preceding taxation year of the charity or association and the undue benefit was conferred after that assessment, 110% of the amount of the benefit.

Subsection 188.1(5) of the ITA defines an undue benefit as follows:

For the purposes of this Part, an undue benefit conferred on a person (referred to in this Part as the "beneficiary") by a registered charity or registered Canadian amateur athletic association includes a disbursement by way of a gift or the amount of any part of the income, rights, property or resources of the charity or association that is paid, payable, assigned or otherwise made available for the personal benefit of any person who is a proprietor, member, shareholder, trustee or settlor of the charity or association, who has contributed or otherwise paid into the charity or association more than 50% of the capital of the charity or association, or who deals not at arm's length with such a person or with the charity or association, as well as any benefit conferred on a beneficiary by another person, at the direction or with the consent of the charity or association, that would, if it were not conferred on the beneficiary, be an amount in respect of which the charity or association would have a right, but does not include a disbursement or benefit to the extent that it is

- (a) an amount that is reasonable consideration or remuneration for property acquired by or services rendered to the charity or association;
- (b) a gift made, or a benefit conferred, in the case of a registered charity, in the course of a charitable act in the ordinary course of the charitable activities carried on by the charity, unless it can reasonably be considered that the eligibility of the beneficiary for the benefit relates solely to the relationship of the beneficiary to the charity, or
- (c) a gift to a qualified donee.

A registered charity may only use its resources (funds, personnel and/or property) in two ways, both inside and outside 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. By failing to provide us with the supporting documents to indicate how the funds were being used to meet the charitable purposes and activities of the Organization, it is our view that the Organization has provided undue benefits to its members and/or employees.

Therefore, due to the serious nature of the non-compliance issues described above, it is our view that a penalty under subsection 188.1(4) of the ACT should be applied to the Organization.

Due to the serious nature of the non-compliance issues described above, it is our view that a penalty under 188.1(4) should be applied to the Organization. Please note that the CRA is proposing the assessment of a penalty in accordance with sections 188.1 and/or 188.2 of the Act in lieu of issuing a notice of intention to revoke registration.

According to our calculations, the penalty payment would be \$78,443.06 as follows:

	2016	2017
Restaurant Meals	\$ 8,304.59	\$ 5,575.91
Automobile benefits (C. Gagnon)	\$ 3,165.34	\$ 21,199.05
Automobile benefits (L. Gagnon)	\$ 11,402.36	\$ 11,239.31
Interest-free loan [REDACTED]	\$ 5,832.64	\$ 6,003.18
Interest-free loan [REDACTED]	\$ 978.35	\$ 1,006.95
	<u>\$ 29,683.28</u>	<u>\$ 45,024.40</u>
Undue benefits penalty percentage, as per 188.1(4)	<u>105%</u>	<u>105%</u>
	<u>\$ 31,167.44</u>	<u>\$ 47,275.62</u>
<b>Total undue benefit</b>	<b><u>\$ 78,443.06</u></b>	

#### **Other non-compliance issues not subject to penalty**

##### **2. Failure to issue proper T4/T4A slips (for understanding purposes)**

Regulation 200(1) of the Act requires that where an amount described in subsection 153(1) (wage, salary or other remuneration) has been paid, an information return in prescribed form (T4 or T4A) shall be made.

#### **Audit Findings:**

As explained above, the Organization failed to issue proper T4 and T4A slips. The Organization must include the full value of the taxable benefits. Please note that the following information is provided for understanding purposes in order to ensure that the Organization would make the proper calculation on a go-forward basis. As detailed above, an undue benefits penalty is proposed for the benefits that have not been reported on the T4s during the audit period.

The following table shows the revised amount that should be reported on the T4 slip of Claude Gagnon for the years 2016 and 2017:

2016			
	Previous	Revised	Adjustment
Box 30 – Board and lodging	\$ 10,300.56	\$ 18,605.15	\$ 8,304.59
Box 34 – Personal use of employer's automobile or motor vehicle	\$ 2,547.44	\$ 5,712.78	\$ 3,165.34
Total taxable benefits	\$ 12,848.00	\$ 24,317.93	\$ 11,469.93

2017			
	Previous	Revised	Adjustment
Box 30 – Board and lodging	\$ 10,300.56	\$ 15,856.01	\$ 5,575.91
Box 34 – Personal use of employer's automobile or motor vehicle	\$ 1,741.91	\$ 22,940.96	\$ 21,199.05
Total taxable benefits	\$ 12,042.47	\$ 34,572.74	\$ 26,774.96

The following table shows the revised amount that should be reported on the T4 slip of Lincoln Gagnon for the years 2016 and 2017:

2016			
	Previous	Revised	Adjustment
Box 30 – Board and lodging	\$ 12,122.28	\$ 12,122.28	\$ 0
Box 34 – Personal use of employer's automobile or motor vehicle (+ Laurie-Ann Cooper's share)	\$ 3,266.40 (+\$3,266.40)	\$ 17,935.16	\$ 11,402.36

Total taxable benefits	\$ 15,388.68	\$ 30,057.44	\$ 11,402.36
------------------------	--------------	--------------	--------------

2017			
	Previous	Revised	Adjustment
Box 30 – Board and lodging	\$ 11,972.32	\$ 11,972.32	\$ 0
Box 34 – Personal use of employer's automobile or motor vehicle (+ Laurie-Ann Cooper's share)	\$ 5,238.71 (+\$2,238.71)	\$ 18,716.73	\$ 11,239.31
Total taxable benefits	\$ 17,031.03	\$ 30,509.05	\$ 11,239.31

### 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:

- i. it is the responsibility of the registered charity to prove that its charitable status should not be revoked;<sup>1</sup>
- 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.

<sup>1</sup> See Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72 at paras 26-27, [2002] 2 CTC 93.

- It is not sufficient to supply the required documentation and records subsequent thereto;<sup>2</sup> 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.<sup>3</sup>

### **Audit Findings:**

The audit revealed that the Organization failed to maintain adequate books and record. The deficiencies with regard to the Organization's books and records are detailed below.

#### **Official Donation Receipts**

The audit revealed several deficiencies concerning the official donation receipts, such as:

1. The summary listing of the official donation receipts issued in the fiscal year was generated using a printing calculator. The list is therefore incomplete as only the receipted amount was indicated. The list must include the following:
  - i. Donor's name and address
  - ii. Date donation was received
  - iii. Date donation receipt was issued
  - iv. Receipt number
  - v. Receipted amount
2. The review of the official donation receipts revealed that one official donation receipt was issued for multiple donations made in the year. While we were able to trace most of the individual donations to the bank statements, the Organization did not maintain an audit trail which would allow CRA to identify the deposit in the bank account. The Organization has five bank accounts in which donations may be deposited. The Organization informed the CRA that, generally, donations are deposited based on replenishment needs. The official donation receipts testing revealed that a \$50 donation could not be traced to the bank statements. In addition, a \$250 donation made by another donor was made, but it could not be determined whether the donation had been given in cash or by cheque. There was no indication in the deposit book which allowed us to confirm the receipt of this donation made by the donor. The Organization must keep audit trails for all transactions.

---

<sup>2</sup> 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.

<sup>3</sup> See Prescient Foundation v MNR, 2013 FCA 120 at para 51, [2013] FCJ no 512.

3. Some donors used cheques to donate funds to the Organization. However, copies of these cheques were not kept by the Organization, and therefore we are unable to validate the source of funds. Copies of cheques should be kept for large donations.

#### Cash Deposits

The Organization failed to keep proper documentation to verify cash deposits made by Lincoln Gagnon which served to reduce the taxable benefit reported on his T4A slip. The audit revealed that an amount of \$4,915 was deducted from the taxable benefit provided to Lincoln Gagnon in the fiscal year of 2017. A note card was kept by the bookkeeper to keep track of these cash deposits which are deposited by Lincoln Gagnon himself. The audit revealed that a \$300 cash payment which was indicated on the note card as being made by Lincoln Gagnon was not found in the bank account. While some cash deposits were successfully identified, there is no method of validating the source of the funds since these amounts were cash deposits. The Organization has previously been advised to use cheques in order for an audit trail to exist. Cheques must be used to properly identify the payer in order to justify the reduction of the taxable benefits.

#### Loan Agreements

As previously mentioned, the Organization did not establish loan agreements with its debtors. It is our view that not only did the directors fail to safeguard the assets of the Organization, it also represents a deficiency with respect to the books and records as there is no documentary evidence to verify the loans receivable. The Organization must establish a written loan agreement with its debtors that will outline the terms and conditions of the loan. In addition, the loan agreements must contain a reasonable repayment schedule, along with an interest rate reflecting the risk associated with the loans.

#### Motor Vehicle Records

The Organization did not provide a complete and accurate logbook of business travel. The logbook provided by the Organization contained the date and the number of kilometres driven for business purposes. There were a few entries which included the purpose of the business trip. However, this was not the case for all business trips. For each business trip, the logbook should include the date, destination, purpose and number of kilometres driven.

#### Financial Reporting Issues

The Organization does not use a double-entry accounting system. It is recommended that the Organization implement a double-entry system of accounting to ensure each and every transaction is recorded.

The expense testing revealed that the Organization repaid the loan of \$40,000 owed to [REDACTED] in the year-ended 2017. The Organization posted this transaction as an increase in expenditures instead of a reduction in loans payable. Similarly, the revenue testing revealed that the Organization posted the receipt of loaned funds as an increase in revenue instead of a reduction in loans receivable.

#### **4. Failure to complete an accurate charity information return**

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 T3010 returns, schedules and statements, is factual and complete in every respect. 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 T3010 are a sufficient basis for revocation.<sup>4</sup>

#### **Audit Findings:**

The review of the T3010, Registered Charity Information Return, revealed several errors which are described in detail below.

##### Line 4110 – Amounts Receivable from Non-Arm's Length Persons

The Organization incorrectly reported the loan receivable from [REDACTED] on line 4120 – amounts receivable from all others. The debtor, [REDACTED] is related to two of the directors of the Organization. The outstanding amount of the loan receivable from [REDACTED] should therefore be reported on line 4110 – amounts receivable from non-arm's length persons.

##### Line 4200 – Total Assets

The Organization failed to correctly report the value of its total assets on line 4200. The Organization was unable to describe which assets had been reported on the information return. The Organization provided a list of the equipment and instruments kept at the

---

<sup>4</sup> Opportunities for the Disabled Foundation v MNR, 2016 FCA 94 at paras 48-51.

church. This list had been previously prepared for the insurance company, but not shared with the individual who completed the information return. As a result, the value of the assets was not accurately reported.

Additionally, it was revealed that a laptop was purchased for \$3,989.16 by Lincoln Gagnon on behalf of the Organization. The Organization later reimbursed Lincoln Gagnon by issuing a cheque to Lincoln Gagnon for an amount of \$2,989.16. The remaining \$1,000 reduced the taxable benefits reported on his T4A slip. It is difficult to determine whether this asset was included on the balance sheet of the Organization due to the lack of documentary evidence.

The Organization must ensure the accurate reporting of assets as it reduces the risk of misappropriation.

#### Lines 4850 – Occupancy Costs & 4820 – Interest and Bank Charges

The Organization reported the principal and interest of the mortgage payments on line 4850 – occupancy costs. The interest portion of the mortgage payments should be reported on line 4820 – interest and bank charges.

### **5. Failure to issue proper donation receipts**

The law provides various requirements with respect to issuing official donation receipts by registered charities. These requirements are contained in Regulation 3500 and 3501 of the Act and are described in detail in Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value. Furthermore, as stated in section 168(1)(d) of the Act “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 issues a receipt for a gift otherwise than in accordance with this Act and the regulations or that contains false information.”

#### **Audit Findings:**

It is our view that the Organization has issued receipts otherwise than in accordance with the Act since the official donation receipts did not contain the place or locality where the receipt was issued.

#### **Conclusion**

Due to the serious nature of the non-compliance issues described above, it is our view that a penalty under subsection 188.1(4) should be applied to the Organization. Please note that the CRA is proposing the assessment of a penalty in accordance with sections 188.1 and/or 188.2 of the Act in lieu of issuing a notice of intention to revoke registration.

**The Organization's options:**

**a) Respond**

Should you choose to make representations regarding this proposal, 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.

**b) Do not respond**

You may choose not to respond. In that case, the Director General of the Charities Directorate may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act or give 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, Robert Bill, may also be reached at 514-229-0589.

Yours sincerely,



Ngoc Huy Nguyen  
Audit Division  
Tax Services Office : Montréal



Telephone: 438-364-1257  
Facsimile: 514-283-2769  
Address: Canada Revenue Agency  
P.O. Box 27  
305 René-Levesque Boulevard West  
Montréal QC H2Z 1A6  
Website: [canada.ca/agence-revenu](http://canada.ca/agence-revenu)

- Appendix A: Details of the Automobile Benefits Calculation

## Appendix A: Details of the Automobile Benefits Calculations

### Calculation for 2016 – Claude Gagnon

Automobile benefits for the usage of the [REDACTED] 2013 from January 1, 2016 to October 31, 2016:

<b>Year</b>	<b>2016</b>
<b>Province</b>	<b>Quebec</b>
<b>Monthly leasing cost (including down payment, trade-in amount, and taxes)</b>	<b>1,318.31</b>
<b>Total kilometres driven</b>	<b>10,945</b>
<b>Business-use kilometres</b>	<b>5,664</b>

### **Calculated results**

<b>Number of 30-day periods automobile available</b>	<b>10.00</b>
<b>Percent of business use</b>	<b>52</b>
<b>Standby charge</b>	<b>2,784.24</b>
<b>Operating expense benefit</b>	<b>1,373.06</b>
<b>Deemed operating expenses benefit</b>	<b>0.00</b>
<b>Total automobile benefits</b>	<b>4,157.30</b>

Automobile benefits for the usage of the [REDACTED] 2016 from November 1, 2016 to December 31, 2016 (Claude Gagnon) :

Choose 1, 2, or 3 (For information, see Chapter 2 of Guide T4130, *Employers' Guide – Taxable Benefits and Allowances*.)

1. Employer owns the automobile: cost of automobile (generally equal to its fair market value at the time of acquisition, including GST/HST and PST) ..... \$ 88,481.10 × 2% = \$ 1,769.62 3
2. Employer leases the automobile: enter the monthly leasing cost, which is the total lease cost (including any down payment made over the term of the lease, GST/HST, and PST, but excluding insurance) divided by the number of months in the term of the lease. The total leasing cost is generally equal to its fair market value at the time the automobile is leased. .... \$ \_\_\_\_\_ × 2/3 = \$ \_\_\_\_\_ 4
3. Employee sells or leases automobiles: enter the greater of either the average cost of all automobiles (new and used) or the average cost of all new automobiles acquired for sale or lease in the year. The cost of an automobile is generally equal to its fair market value at the time of acquisition, including GST/HST and PST. .... \$ \_\_\_\_\_ × 1.5% = \$ \_\_\_\_\_ 5

		Reducing the standby charge			
Amount from 3, 4, or 5 above	Number of days auto available to employee	Personal kilometres	Number of days auto available to employee		
\$ <u>1,769.62</u>	× $\left(\frac{60}{30}\right)$	× $\left[\frac{1,177}{30} + \left(\frac{60}{30}\right) \times 1,667\right]$		= \$	<u>1,249.46</u> 6

Enter the amount the employee reimbursed for the standby charge ..... - \$ 0.00 7

Line 6 minus line 7  
Standby charge benefit (if negative, enter "0") ..... = \$ 1,249.46 B

## Step 2 – Operating expense benefit

Complete this step if you provide an automobile to your employee and pay for the operating expenses related to personal use.

If your employee reimburses you for all operating expenses attributable to personal use no later than 45 days after the end of the year, do not calculate an operating expense benefit. Go to Step 3.

### Fixed rate calculation

Use this calculation if both of the following conditions apply:

- the employee does not reimburse or only partially reimburses you for operating expenses attributable to personal use no later than 45 days after the end of the year; and
- the employee did not elect to use the optional calculation; and
  - the employee occupies any employment other than selling or leasing automobiles

Personal kilometres driven 1177 × 26¢ = \$ 306.02 8  
(see Note below)

or

- the employee's principal source of employment is selling or leasing automobiles

Personal kilometres driven \_\_\_\_\_ × 23¢ = \$ \_\_\_\_\_ 9  
(see Note below)

#### Note

Fixed-rate for 2016. For 2017 rates, go to [cra.gc.ca/automotor-benefits](http://cra.gc.ca/automotor-benefits), select "Fixed-rate calculation" in the topics.

Go to Operating expense benefit (net)

## Calculation for 2017 – Claude Gagnon

Automobile benefits for the usage of the [REDACTED] 2016 from January 1, 2017 to December 31, 2017:

Province	Quebec
Cost of employer-owned automobile	88,481.10
Total kilometres driven	6,822
Business-use kilometres	0

## Calculated results

Number of 30-day periods automobile available	12.00
Percent of business use	0

## Calculated results

Number of 30-day periods automobile available	12.00
Percent of business use	0
Standby charge	21,235.46
Operating expense benefit	1,705.50
Deemed operating expenses benefit	0.00
Total automobile benefits	22,940.96

### Calculation for 2016 – Lincoln Gagnon

Automobile benefits for the usage of the [REDACTED] 2011 from January 1, 2016 to December 31, 2016:

The business use was recalculated to exclude entries of 56 and 57 kilometres which were labelled as "church" mileage. As previously mentioned, mileage incurred from/to the church and to/from the personal residence of the director is considered personal use of the vehicle.

<b>Year</b>	2016
<b>Province</b>	Quebec
<b>Cost of employer-owned automobile</b>	55,334.90
<b>Total kilometres driven</b>	18,596
<b>Business-use kilometres</b>	693
<b>Number of 30-day periods automobile available</b>	12.00
<b>Percent of business use</b>	4
<b>Standby charge</b>	13,280.38
<b>Operating expense benefit</b>	4,654.78
<b>Deemed operating expenses benefit</b>	0.00
<b>Total automobile benefits</b>	17,935.16

Calculation for 2017- Lincoln Gagnon

Automobile benefits for the usage of the [REDACTED] 2011 from January 1, 2017 to December 31, 2017:

The business use was recalculated to only include entries which have sufficient description to validate that it can be considered business use. As an example, the logbook included an entry for the dates of January 27 and 28, 2016. The mileage was 126 kms and the description provided was "church reno". However, the destinations were not included, and therefore we are unable to confirm whether there is any business usage excluding the travel from the director's home residence to the church.

<b>Year</b>	2017
<b>Province</b>	Quebec
<b>Cost of employer-owned automobile</b>	59,189.49
<b>Total kilometres driven</b>	28,644
<b>Business-use kilometres</b>	10,599

<b>Number of 30-day periods automobile available</b>	<b>12.00</b>
<b>Percent of business use</b>	<b>37</b>
<b>Standby charge</b>	<b>14,205.48</b>
<b>Operating expense benefit</b>	<b>4,511.25</b>
<b>Deemed operating expenses benefit</b>	<b>0.00</b>
<b>Total automobile benefits</b>	<b>18,716.73</b>

January 20th, 2022

BN: 119210193RR0001  
FILE #: 0505370

*RND 741*

NGOC HUY NGUYEN

Audit Division  
P.O. Box 27  
305 René-Levesque Boulevard West  
Montreal QC H2Z 1A6

AGENCE DU REVENU DU CANADA	NO. 5	CANADA REVENUE AGENCY
24 JAN. 2022		
MONTRÉAL 1208		

**SUBJECT : Audit of Holy Ghost Miracle Revival Temple Inc.**

Thank-you for your careful consideration of the following response by the Organization :

Firstly, and most importantly to be clarified, is a statement on page 6 : " [REDACTED] Lincoln Gagnon (Organization's Trustee). Therefore, it appears that the main reason supporting the allowance of this loan is based on the non-arm's length relationship between..." Though it may appear that this is the main reason, it must be understood and accepted that Lincoln Gagnon was not aware of either of these loans [REDACTED] and [REDACTED] nor was he aware of the allowance of donations being allocated for reasons other than the furtherance of the ministry, despite the fact that [REDACTED] is at arms length! On page 7 the audit recognizes the end of 'this trend' and this trend ended exactly when Lincoln Gagnon became aware of these loans and at the same time became aware of the non-repayment attitude that should not have been tolerated. Lincoln has made several attempts to encourage repayment which has been ignored by [REDACTED] and [REDACTED] and his non-arm's length relationship at this time is mostly no relationship at all!

**Page 3 - Restaurant Meals :**

The Organization accepts the audit's findings concerning the meals charged on the [REDACTED] ending in [REDACTED]. The Organization realizes the charges as an undue benefit and recognizes the fines levied against the infractions, but requests the correct procedure in order to rectify the charges, benefits, and fines, so as to put an end to further penalties. Please take into consideration that upon the [REDACTED] (the credit card holder), Lincoln and Murrian Dinell (Treasurer) made sure that the card was destroyed and not renewed under a different name, and therefore this pattern of undue benefits of meals paid by the Organization has ceased as of July 2017. Perhaps, due to this action and response by Lincoln and Murrian, leniency may be applied to the penalty of \$13,880.50 against the church, while receiving your recommendation on correcting and assigning the taxable benefits. Also, please note that on page three the CRA finds the Organization provided an undue benefit to Claude Gagnon. [REDACTED] was also part of these personal advantages upon every instance, so the CRA's proposed changes to Claude Gagnon's T4 slips should read : Box 30 - Board and Lodging Adjustment for 2016 : \$4,152.30 and for 2017 : \$2,787.96.

**Page 5 - Automobile Benefits - Lincoln Gagnon and Laurie Ann Cooper :**

While examining the errors of reported mileage, please take into consideration the following : this is the Organization's first audit where logbooks were kept and therefore provided for inspection. The church located at [REDACTED] in Montreal did not represent a regular place of business for Lincoln Gagnon during the years of audit. He does not have an office at this address and is able to conduct all manner of church business and responsibilities from his house in St Basile Le Grand. While this issue needs to be resolved and Lincoln will agree to terms based on the CRA's understanding of the 'benefits' incurred by the mileage driven for various reasons, we are asking for leniency towards the fines and penalties levied against the Organization. Any additional mileage can be added to updated T4 slips for corrective purposes, while further examining what is being considered as business vs personal. Also, please note that the auditor [REDACTED] having brought this to Lincoln's attention was

only able to provide a partial answer after referring to her supervisor. She was able to affirm that Lincoln and/or Laurie Ann Cooper while attending to their responsibilities on days of church functions, that this mileage should have been calculated as a personal benefit. As soon as Lincoln was given this information, Lincoln and Laurie Ann immediately made all future logbook entries in accordance. We would ask that you inspect their logbooks after this fact to reveal their compliance upon their corrected understanding. Please take their immediate action to resolve this misunderstanding in consideration while contemplating the severity of the fines levied. An answer that the auditor [REDACTED] was not able to provide was mileage considered by Lincoln as 'business' when meeting with various contractors, workers, etc... at the church for building maintenance, repairs, and renovations, which (as Lincoln explained to [REDACTED] do not provide any personal advantage nor benefit to Lincoln nor to Laurie Ann. In lieu of fines and penalties we thank you in advance that an '*an issuance of an educational letter*' of your recommendations be given upon further examination, and this letter will serve as a final understanding and settlement to all future entries to their logbooks. No fraudulent intent on their part was intended.

2016 : recalculated where church functions count for personal benefit - 4,626 klms should be added to personal benefits for a business total of - 6,899 klms

2017 : recalculated where church functions count for personal benefit - 5,912 klms should be added to personal benefits for a business total of - 14,550 klms

#### **Automobile Benefits - Claude Gagnon :**

The Organization asks for understanding of the fact that Claude Gagnon has an office at home as well as at the church. There are a few entries that should be considered as business mileage to the church to meet with church members, etc... but we understand that the reluctance on his part to maintain proper records make this difficult to determine. Please note that as of 2022, the Organization no longer provides a vehicle for Claude Gagnon. We ask and thank you in advance for your consideration while resolving this issue of updating T4 slips and arrangements in order to settle all fines and penalties incurred.

#### **Loans :**

[REDACTED] :  
While the Organization understands its failure to secure collateral and apply a reasonable interest rate to the loan, [REDACTED] filed for bankruptcy on June 19th, 2018 (file [REDACTED]) and therefore it is the Organization's understanding that any legal procedure or attempt to recover the funds are now futile. However, please consider that [REDACTED] continues to regularly attend the church, and has contributed on several occasions in order 'to make good' on the financial aid he received from the Organization despite his bankruptcy, serious loss of health, the loss of his business, and the recent financial adversities experienced by COVID-19. A total of \$3,315.00 has been received up to this date! Upon request, additional details can be provided.

[REDACTED] :  
The Organization understands its failure to secure collateral and to apply reasonable interest rates to the loan. After failed attempts by Lincoln to arrange a repayment schedule, the Organization has been anticipating recommendations by the CRA via this audit on how to proceed. Considering there is little-to-no intention on their behalf to repay, as well as considering the longevity of this outstanding debt of the Organization's finances, we are hoping that a meeting between the Organization and representatives of the CRA will produce a favourable outcome in order to stop any further monthly fines and penalties against the Organization as quickly as possible. At this point, the recommendations and suggestions of the CRA will be received gratefully to be very carefully considered in order to ease the financial burden this has unfortunately left upon the Organization due to its own disregard of proper procedures. We thank you in advance for your counsel and direction in this matter, as the Organization is endeavouring to resolve this as soon as possible.



**Adequate Books and Records :**

Pages 13/14 :

Pursuant to subsection 230(2) : the Organization believes they are not guilty

Pursuant to subsection 230(4) : the Organization believes they are not guilty

**Official Donation Receipts :**

For the year 2021 audit trails as described on pages 14/15 will be produced. The Organization maintains that this is the first time this issue is being addressed.

**Cash Deposits :**

Lincoln and Laurie Ann will provide either cheques or Interact transactions when reducing taxable benefits in order to provide identification trails for the source of funds.

**Loan Agreements :**

The Organization has adopted a policy of no more loans.

**Motor Vehicle Records :**

The Organization is requesting a clear example as to where the logbooks of Lincoln and Laurie Ann failed to provide adequate details. This will be corrected, considering that more details are available in reference to their own copy of the records.

**Audit Findings :**

The Organization apologizes for the errors on Lines 4110 / 4200 / 4850 / 4820 and will take immediate measures to correct these entries. Please understand there were no ill intentions.

**Failure To Issue proper Donation Receipts :**

It is the understanding of the Organization based upon the evidence submitted in the previous audit that our official donation receipts were CRA approved at that time. We apologize for this oversight and will correct and update all future receipts as soon as possible.

For the section 'Adequate Books and Records' the Organization is hoping for your careful consideration of no ill intent along with our display of cooperation to promptly resolve and correct these errors, and in lieu of fines, penalties, and suspensions, an '*issuance of an educational letter*' be provided by the CRA with thanks and appreciation from the Organization in advance for your patience, along with the Organization's willingness to accept the implementation of a Compliance Agreement as well.

In conclusion, the Organization's records for 2021 show that the Organization has already complied in some of the areas in question. In good faith, we are hopeful this will lower the fines and penalties levied against the Organization which will ease and increase the rapidity of paying and making good on the infractions of the Organization. We thank you again for your careful consideration in these matters.



Lincoln Gagnon (Secretary)