



July 27, 2023

REGISTERED MAIL

Director

John Maxwell Leadership Foundation of Canada
607 Liverpool Road
Pickering ON L1W 1R1

BN: 807833595RR0001

Case: [REDACTED]

Dear [REDACTED]:

Subject: Notice of intention to revoke
John Maxwell Leadership Foundation of Canada

We are writing with respect to our letter dated November 3, 2022 (copy enclosed), in which the John Maxwell Leadership Foundation of 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, 2019, to December 31, 2020. 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 reviewed and considered your written responses dated January 3, 2023 (received January 9, 2023, and January 12, 2023). Your reply has not alleviated our concerns with respect to the Organization's non-compliance with the requirements of the Act for registration as a charity. Our concerns are explained in Appendix A attached.

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 maintain adequate books and records, failed to devote resources to charitable activities carried on by the Organization itself, and failed to file an information return as and when required by the Act and/or its Regulations. This non-compliance constitutes a serious breach of the requirements for registration. 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 November 3, 2022, and pursuant to subsection 168(1) 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), and 168(1)(e) 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	Name
807833595RR0001	John Maxwell Leadership Foundation of Canada Pickering ON

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 Organization's business number, 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 must be sent to:

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

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 B, 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 B. 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 that may result in significant changes in how the Organization calculates its Goods and Services Tax/Harmonized Sales Tax (GST/HST) to be collected, input tax credits, and rebate entitlements. If you have any questions about your GST/HST obligations and entitlements, please go to canada.ca/gst-hst or 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,



Sharmila Khare
Director General
Charities Directorate

Enclosures

- CRA letter dated November 3, 2022
- Organization's representations dated January 3, 2023
- Appendix A, Comments on representations
- Appendix B, Relevant provisions of the Act

c.c.:



Authorized Representative



November 3, 2022

Traci Morrow
Director
John Maxwell Leadership Foundation of Canada
607 Liverpool Road
Pickering ON L1W 1R1

BN: 807833595 RR0001
File #: 3056017
Case: [REDACTED]

Dear Traci Morrow:

Subject: Audit of John Maxwell Leadership Foundation of Canada

This letter results from the audit of John Maxwell Leadership Foundation of Canada (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period of January 1, 2019, to December 31, 2020.

Further to our letter of April 14, 2022 (enclosed), and our telephone conversations with [REDACTED] (authorized representative) on May 13, 2022, July 12, 2022, and August 3, 2022, the CRA has 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.	Failed to maintain adequate books and records	168(1)(e) 188.2(2)(a) 230(2)
2.	Failed to devote resources to charitable activities carried on by the Organization itself	149.1(1) 168(1)(b)
3.	Failed to file an information return as and when required by the Act and/or its Regulations	149.1(14) 168(1)(c)

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.

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements applicable to registered charities, which may be subject to sanctions under the Act, and offers the Organization an opportunity to respond and present additional information and explain why its registered status should not be revoked. 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.

Identified areas of non-compliance

1. Failed to maintain adequate books and records

Legislation and jurisprudence:

Subsection 230(2) of the Act requires that registered charities maintain adequate books and records¹ of account, at an address in Canada registered with the CRA, containing information in such form as will enable the Minister to determine whether there are grounds for the revocation of its registration under the Act. Failure to maintain adequate books and records in accordance with the requirements of the Act is itself sufficient reason for the CRA to revoke an organization's charitable registration.²

Subsection 231.1(1) of the Act permits an authorized person to inspect, audit, or examine the books and records of a taxpayer, as well as any document of the taxpayer, or of any other person that relates, or may relate, to the information that is, or should be, contained in the books and records of the taxpayer, or to any amount payable by the taxpayer under the Act.

In order to meet these requirements, a charity's books and records must allow the CRA to verify the charity's revenues and expenses, as well as any official donation receipts it may have issued. Further, the Act requires that a charity's records contain such information so as to allow the CRA to determine whether the charity's activities continue to be charitable at law.

The requirement relating to the maintenance of books and records, and books of account, is based on several court decisions, which have held, among other things, that:

- the onus is on the registered charity to provide that its charitable status should not be revoked.³

¹ Subsection 248(1) of the Act defines a record in the following way: "record includes an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and other thing containing information, whether in writing or in any other form."

² College Rabbinique de Montreal Oir Hachaim D'Tash v. Canada (Minister of Customs and Revenue Agency) 2004 FCA 101, and Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21.

³ The Caoadian Committee for the Tel Aviv Foundation v. Canada 2002 FCA 72.

- 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 books and records at some later date.⁴
- paragraph 168(1)(e) of the Act provides that the Minister may propose to revoke registration of a charitable organization if it fails to comply with, or contravenes, any of sections 230 to 231.5 of the Act, and the Federal Court of Appeal has determined that non-compliance with section 230(2) of the Act is a proper basis upon which the Minister may issue such a notice.⁵
- the requirement to keep proper books and records is foundational and non-compliance with the requirement is sufficient to justify revocation.⁶

While paragraph 230(2) of the Act does not explicitly set out the types of books and records that a registered charity is required to maintain, which could therefore lead to a technical failure to comply with the Act,⁷ given the significant privileges that flow from registration as a charitable organization under the Act, the Minister must be able to monitor the continuing entitlement of charitable organizations to those privileges. In that regard, the Federal Court of Appeal has held that there exists a serious obligation for registered charities to maintain adequate books and records,⁸ and that material or significant and/or repeated, non-compliance with the requirements of subsection 230(2) of the Act constitutes sufficient grounds for revocation.⁹

Audit findings:

In response to the audit request, dated April 14, 2022, the Organization failed to provide adequate books and records to conduct our audit, which represents severe non-compliance. Specifically, the Organization failed to provide information and documentation to address the following requested items:

- In relation to expenditures reported in Schedule 2, Activities outside Canada, of the Organization's Form T3010, Registered Charity Information Return, a detailed description of each activity, program and/or project carried out in the audit period, including:
 - a description of the regular operations of each program,
 - an explanation of the roles of all parties involved,
 - copies of signed written agreements with each party, and
 - a description of how each activity relates to one of the Organization's stated charitable purposes;

⁴ *ibid*. See also *The Lord's Evangelical Church of Deliverance and Prayer of Toronto v. Canada* 2004 FCA 397.

⁵ *Opportunities for the Disabled Foundation v. Canada (National Revenue)* 2016 FCA 94; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21.

⁶ *Jaamiah Al Uloom Al Islamiyyah Ontario v. Canada (National Revenue)* 2016 FCA 49, paragraph 15; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 43.

⁷ *Prescient Foundation v. Canada (National Revenue)* 2013 FCA 120; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 37.

⁸ *Humane Society of Canada for the Protection of Animals and the Environment v. Canada (National Revenue)* 2015 FCA 178, paragraph 80.

⁹ *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 43.

- a description of the relationship between the Organization and The John Maxwell Leadership Foundation (a related entity based in the United States of America);
- in relation to amounts reported on line 4920 in Form T3010, journal listings, descriptions and sample invoices in support of the expenses;
- a detailed reconciliation of the amounts reported on lines 5000 through 5040 with specific documentary requests relating to the line 5040 amounts; and
- information applicable to Form T1235, Directors/Trustees and Like Officials Worksheet.

The Organization's response consisted of a summary donation receipt listing for each of the fiscal years under audit, copies of donation receipts, copies of invoices applicable to expenditures described as "Administration" (consultant fees) and "Database system fees", meeting minutes (a minimally detailed annual general meeting for one fiscal year), monthly bank statements, and a trial balance applicable to each fiscal year during the audit period.

The audit revealed deficiencies in the documentation that was provided. The specific areas of concern are described in detail below.

A) The Organization provided a summary donation receipt listing for each of the fiscal years under audit, however the listings did not include the total amount of donations received for each year. In addition, we were unable to match line 4500 to our calculated total of the summary donation listings, as outlined below:

Fiscal period end	Line 4500	Donation listing	Variance
2019-12-31	\$186,887	\$188,437	(\$1,550)
2020-12-31	\$98,801	\$99,276	(\$475)

As a result, the CRA was unable to confirm the amount reported on line 4500 "Total amount of all gifts for which the charity issued tax receipts".

B) The Organization provided multiple duplicate copies of the minutes of an annual general meeting of the directors (10:00am) and the members (10:15am), both held on May 7, 2020. During our examination of the minutes, we noted a reference to another meeting, held on June 25, 2019, which is within the audit period, for which we were not provided with any documentation. In addition, the minutes of the May 7, 2020, meeting included very little detail regarding the Organization's activities. They failed to demonstrate internal controls including ongoing decision making, review and approval of operations, and processes to ensure the safeguarding of charitable assets.

Summary:

Given the Organization's failure to fulfill its requirement to maintain and make available adequate books and records as described above, it is our view that the present case constitutes severe and material non-compliance. For this reason, there are grounds for revocation of the Organization's charitable status under paragraph 168(1)(e) of the Act.

Further, paragraph 188.2(2)(a) of the Act states that the Minister may suspend the Organization's authority to issue official donation receipts for one year for failure to maintain adequate books and records.

Sanction proposed:

Due to the serious nature of the non-compliance described above, and the fact that the issues represent material non-compliance, it is our view that a suspension under paragraph 188.2(2)(a) of the Act should be applied to the Organization.

The CRA is proposing to suspend the Organization's receiving privileges and qualified donees status in accordance with subsection 188.2(2) of the Act, in lieu of proceeding with the revocation of the Organization's status as a registered charity in accordance with paragraph 168(1)(e) of the Act. We reserve the right to revisit this decision before making a final determination regarding the Organization's status.

Other non-compliance issues not subject to sanction(s)

2. Failed to devote resources to charitable activities carried on by the Organization itself

Legislation and jurisprudence:

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

charitable organization, at any particular time, means an organization, whether or not incorporated,
(a) 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 [...]

To comply with the requirement that a registered charity devote all of its resources to charitable activities carried on by the organization itself, at the time of the audit, the Act allowed a registered charity to use its resources (funds, personnel, and property) inside or outside Canada in only two ways:

- for its own charitable activities – undertaken by the charity itself under its continued supervision, direction and control;¹⁰ and

¹⁰ Canadian Committee for the Tel Aviv Foundation v. Canada, 2002 FCA 72 (CanLII) at para 31.

- for gifting to qualified donees as defined in the Act

A **qualified donee** means a donee defined in subsection 149.1(1) of the Act, as follows:

- a registered charity (including a registered national arts service organization);
- a registered journalism organization;
- a registered Canadian amateur athletic association;
- a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged;
- a registered Canadian municipality;
- a registered municipal or public body performing a function of government in Canada;
- a registered university outside Canada, the student body of which ordinarily includes students from Canada;
- a registered foreign charity to which Her Majesty in right of Canada has made a gift;
- Her Majesty in right of Canada or a province, or a territory; and
- the United Nations or an agency of the United Nations.

As the Act specifically states what constitutes a qualified donee, entities not expressly stated in this list are not considered qualified donees.

Audit findings:

The audit revealed that, as per the financial information reported in the Organization's Form T3010 for both fiscal periods under audit, and as outlined in the chart below, less than 10% of the Organization's expenditures have been for charitable activities:

	2019-12-31	2020-12-31
Line 5000 (Total charitable)	\$7,695	\$5,817
Line 5100 (Total expenditures)	84,460	138,929
Percentage allocated to charitable activities	9.1%	4.2%

In the absence of the books and records that were requested (as described in Section 1 above), the audit was performed using the information and documentation available. The Organization provided documentation in relation to expenditures described as "Administration", which included invoices from [REDACTED], a third party entity, for "Consulting Fees" with the description "National Coordinator Services...". From the information available to us, including bank statements which included records of e-transfers and cheques made out to [REDACTED] or "[REDACTED]" in the same amount during the fiscal years under audit¹¹ and the email address listed on the invoices,¹² it appears these funds were all paid to the same person: [REDACTED]

¹¹ The bank statements revealed that the Organization sent monthly e-transfers to [REDACTED] in the amount of \$4,520 during 2019 and \$4,998 from January 2020 to April 2020. From May 2020 to December 2020, bi-weekly payments were made directly [REDACTED] via e-transfer or cheque in the amount of \$5,415.

¹² [REDACTED]

Publicly available information indicates [REDACTED] current role is as the Advancement Operations Lead at The John Maxwell Leadership Foundation.¹³ It is unclear if this role is with the Organization or the U.S.-based entity with the same name.. The total expenses related to "Administration" were \$48,000 in 2019 and \$107,024 in 2020, and represented 76% and 57% of the Organization's total expenditures for 2019 and 2020, respectively. Without a detailed description of the purpose of these expenditures and an explanation of how they furthered the Organization's charitable purposes, it is our position that the Organization failed to devote its resources to charitable activities.

In addition, a credit card statement (for the billing period from September 28, 2019, to October 28, 2019) was provided in place of the October 2019 bank statement. The card in question was issued in the name of the Organization and [REDACTED], and the statement provided included various charges for meals and travel. In the absence of adequate documentation to demonstrate that the expenses furthered the Organization's charitable purposes, it appears the Organization may have conferred an undue benefit by paying for the personal expenses of a related party.

Summary:

Accordingly, it is our view that the Organization has failed to meet the requirements of subsection 149.1(1) of the Act that it devote substantially all its resources to charitable activities carried on by the Organization itself. For this reason, it appears there may be grounds for revocation of the Organization's charitable status under paragraph 168(1)(b) of the Act.

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

Legislation and jurisprudence:

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 a charity to ensure that the information provided in its Form T3010, 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

¹³ [REDACTED] profile [REDACTED]

Appeal has confirmed that a significant number of inaccuracies, or beyond what might reasonably be viewed as minor, in a Form T3010 are a sufficient basis for revocation.¹⁴

Audit findings:

The audit revealed that the Organization inaccurately completed its Form T3010 for the fiscal periods under audit, in that it failed to complete line 5900 "Average value of property not used directly in charitable activities or administration during the 24 months before the **beginning** of the fiscal period" and line 5910 "Average value of property not used directly in charitable activities or administration during the 24 months before the **end** of the fiscal period".

In addition, there was a discrepancy between the amounts reported on Form T3010 and the financial statements for the fiscal period ended December 31, 2020, which resulted in variances of \$1,992 for total liabilities and \$2,000 for total expenditures:

	Per T3010	Per F/S	Variance
Total liabilities (line 4350)	\$2,058	\$4,050	(\$1,992)
Total expenditures (line 4950)	138,929	140,929	(2,000)

Summary:

Under paragraph 168(1)(c) of the Act, the registration of a charity may be revoked if it fails to file a charity information return as and when required under the Act or its Regulations. It is our view the Organization has failed to comply with subsection 149.1(14) of the Act by failing to file an accurate T3010 return. For this reason, there may be grounds to revoke the Organization's charitable status.

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, we 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

¹⁴ Opportunities for the Disabled Foundation v MNR, 2016 FCA 94 at paras 50-51.

- 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, we 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.

The Act provides the Minister the discretion to revoke a charity's registration. Section 168 of the Act describes the manner in which the Minister may revoke a charity's registration. In accordance with subsection 168(1) of the Act, when proposing to revoke, the charity is given notice by registered mail of the Minister's intention to revoke the charity's registration. The charity's registration is not revoked until a copy of the notice is published in the Canada Gazette. Paragraph 168(2)(b) of the Act allows the Minister to publish the notice in the Canada Gazette any time after the expiration of 30 days from the date of the mailing of the notice.

After considering the Organization's response to this letter, the Minister may decide to exercise her authority to revoke its charitable registration. If so, the Minister will issue a notice of intention to revoke the Organization's registration and will indicate in the notice whether the Minister intends to publish the notice in the Canada Gazette immediately after the expiration of 30 days from the date of the mailing of the notice.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go to canada.ca/en/revenue-agency/services/forms-publications/forms.

- 10 -

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers below. My manager, Julie McCaffrey, may also be reached at 613-850-7091.

Yours sincerely,



Alexandra Meyers
Charities Directorate
Canada Revenue Agency

Telephone: 343-551-0875
Toll Free: 1-800-267-2384
Facsimile: 613-941-0186
Address: Tower A, Place de Ville
320 Queen Street
Ottawa ON K1A 0L5

Enclosure:

- CRA letter dated April 14, 2022

c.c.:



Authorized Representative



April 14, 2022

Traci Morrow
Director
John Maxwell Leadership Foundation of Canada
607 Liverpool Road
Pickering ON L1W 1R1

BN: 807833595 RR0001
File #: 3056017
Case #: [REDACTED]

Dear Traci Morrow:

**SUBJECT: Audit of John Maxwell Leadership Foundation of Canada
Request for information and documentation**

We are writing to inform you that John Maxwell Leadership Foundation of Canada (the Organization) has been selected by the Canada Revenue Agency (CRA) for an audit as a registered charity under the Income Tax Act.

In order to complete our audit, we require the Organization to provide our office with the following information and documentation relating to its **fiscal periods ending December 31, 2019, and December 31, 2020**:

Official donation receipts issued for income tax purposes

1. Please provide us with a listing of all official donation receipts issued by the Organization for donations received during the above-mentioned fiscal periods. For ease of reference, this listing should include the following elements: the receipt number (in sequential order), the donor's name, the amount of the donation, and the total amount of donations received for each fiscal period. If applicable, the list should also include the receipt numbers of any lost or cancelled receipts, and identify the receipt that was issued to replace the lost or cancelled receipt.
2. In addition to the listing above, please provide us with a copy of official donation receipts issued by the Organization to three different donors during the above-mentioned fiscal periods.
3. If applicable, please provide us with a copy of one official donation receipt issued and cancelled by the Organization during the above-mentioned fiscal periods, as well as a copy of the replacement of the cancelled receipt.

Activities

Our records indicate the current registered charitable purposes of the Organization are as follows:

- i) To advance education by providing leadership training programs to individuals in Canada and abroad; and
- ii) To carry out activities ancillary and incidental to the attainment of the aforementioned charitable purpose.

The Organization described its ongoing programs in the audit period as follows (as stated at Section C of Form T3010, Registered Charity Information Return):

"Providing education and training programs in Paraguay, Guatemala, Mejoremos Costa Rica and global outreach ministries"

However, the expenditures in relation to the Organization's activities outside Canada were not reported in Schedule 2 of its Form T3010.

4. To determine if the Organization's activities are acceptable to the CRA, we require a detailed description of each activity, program and/or project carried out in the audit period.

Please ensure that the Organization's statement is as comprehensive and specific as possible. When we review statements of activities, we look for a detailed description of charitable activities that relate to each of the registered charitable purposes and which describe the full nature and range of an organization's programs.

The description of activities should include information such as a description of the regular operations of each program, an explanation of the roles of all parties involved, copies of signed written agreements with each party, if any, and a description of how each activity relates to one of the Organization's stated charitable purposes.

Additionally, copies of any promotional material such as brochures, newsletters, posters, and other media used to advertise the Organization's activities, as well as any other literature used directly in furtherance of its purposes, should be included as these may be useful in understanding the function and character of the Organization.

5. It appears that the website (jmlf.org) is shared between the Organization and The John Maxwell Leadership Foundation (a related entity based in the United States of America). The "Contact Us" page lists an address for the Canadian office¹ as

well as a Main Office in the US. In addition, the "Donate" page provides a separate link for Canadian donors.

The website does not distinguish which activities are those of the Organization and those of the US entity. As such, we require information and documentation on how the Organization distinguishes its activities and operations, and maintains the required separation, between itself and the related US entity. Please be sure to include any applicable written agreements with your response.

Form T3010, Registered Charity Information Return

Line 4920 (Other expenses)

The Organization reported the majority of its expenditures on line 4920 "All other expenditures not included in the amounts above (excluding gifts to qualified donees)", totalling \$59,649 in 2019 and \$120,873 in 2020. Based on our review of the financial statements, the following expenditures appear to be included on line 4920 amounts:

	<u>2019-12-31</u>	<u>2020-12-31</u>
Administration	\$48,000	\$107,024
Database system fees	3,032	2,817
Event expenses	7,695	8,657
Telephone	922	1,835
Office supplies		540

6. Please provide a detailed description and supporting source documents² in relation to the above amounts. Specifically, the Organization's response should include:

- Journal listings from the Organization's books of entry, as well as copies of the five (5) largest invoices applicable to the expense amounts described as "Administration", "Event Expenses", and "Database system fees" for each fiscal year.
- A detailed description of the purpose of the expenditures reported on line 4920, including an explanation of how the expenditures further the charitable purposes for which the Organization was registered.

Lines 5000 to 5040 (Allocation of expenditures)

The Organization allocated its total expenditures from line 4950 to lines 5000 through 5040 of Form T3010, as required. The amounts reported for both fiscal years are summarized as follows:

² Supporting documents include, but are not limited to, copies of: bank statements, cancelled cheques, expense invoices and vouchers/receipts, wire transfers, reports, written communications and minutes of meetings.

	<u>2019-12-31</u>	<u>2020-12-31</u>
Line 5000 (Charitable activities)	\$7,695	\$5,817
Line 5010 (Management & administration)	48,000	107,024
Line 5020 (Fundraising)	18,214	17,791
Line 5040 (Other)	10,551	8,297

7. Please provide a reconciliation of the amounts reported on lines 5000 through 5040 for each fiscal year. The information should include listings of expense amounts and/or expense account totals from the Organization's books of entry, allocated to each reporting field, as well as a description of the allocation methodology used.
8. Please provide a detailed description of the purpose of the expenses reported on line 5040 as well as copies of the three (3) largest expense vouchers applicable to each fiscal year.

Form T1235 - Director, trustee, or like official information

The Organization included Form T1235 for both fiscal years of the audit period, however a discrepancy was noted. In each reporting period, the total directors, trustees or like officials consisted of two (2) individuals. The Organization is currently registered as a charitable organization, which requires that more than 50% of its board of directors deal with each other at arm's length.

9. For each individual listed in Form T1235, please provide:
 - a description of their function, role, duties and responsibilities in carrying out the charitable activities in furtherance of the Organization's registered charitable purposes.
 - details of any affiliations maintained with other related John Maxwell entities (in Canada or in other countries). Such affiliations may include a role in organizational governance, employment, or other business or not-for-profit purposes.

10. Please provide a current listing of the Organization's board of directors.

Additional books and records

In addition to the above, please provide copies of the Organization's:

11. Meeting minutes (including director resolutions) applicable to the audit period.
12. Monthly bank statements applicable to the audit period from January 1, 2019, to December 31, 2020.

13. Trial Balance for each fiscal year during the audit period.

The Organization must submit all requested information and documentation outlined above within **30 days of the date of this letter** to the address below. Failure to respond within the required timeframe could potentially result in the revocation of the Organization's registered status. Also, be advised that additional information may be requested during the audit.

The Act requires, under subsection 230(2), that registered charities maintain adequate books and records of account at a single address in Canada that is registered with the CRA. This provision is necessary to enable a charity to accurately provide the CRA with the information required by the Act as well as to enable the CRA to verify the accuracy of reported information through an audit.

Under paragraph 168(1)(e) of the Act, the Director General of the Charities Directorate may give notice of its intention to revoke the registration of the Organization by issuing a notice of intention in the manner described in subsection 168(1) of the Act.

If the Organization's books and records are in electronic format, you or your authorized representative can submit them through the My Business Account (MyBA) or Represent a Client online portals. These CRA services offer a secure, quick and easy way to access the Organization's information online and complete tasks such as:

- submitting documents online;
- completing and filing your Form T3010, Registered Charity Information Return;
- updating and managing account information, including authorizing a third party representative; and,
- sending and receiving correspondence.

If you want to submit the requested documentation electronically, use the following case number: [REDACTED].

If you or your representative have not registered for MyBA or Represent a Client and would like to do so, please go to canada.ca/cra-login-services. For more information on how to submit documents, go to canada.ca/cra-submit-documents-online.

Please note that the confidentiality provisions of the Act restrict us to discussing the contents of this letter with an authorized representative only. Normally this would be an individual listed as a current director/trustee on the Form T1235, Directors/Trustees and Like Officials Worksheet, which is included with Form T3010, Registered Charity Information Return, on file with the CRA.

If there has been any change in the directors/trustees of the Organization since it filed its last information return, please forward a copy of the revised Form T1235, signed by an authorized representative of the Organization. The Form T1235 can be found on the CRA web site.

You can authorize a third party to represent the Organization using the Authorize my representative service in MyBA. This will allow your authorized representative to have instant access to the Organization's information and the online services to easily manage the account. You can also fill in and send to me Form AUT-01, Authorize a Representative for Access by Phone and Mail. This will allow your representative to discuss the information with us during the audit. For more information on how to authorize a representative, go on our website at canada.ca/taxes-representative-authorization.

Please refer to the audit process for charities to understand what to expect during the audit. Go to canada.ca/cra-video-gallery, select Charities video gallery, and then The audit process for charities.

For more information registered charities and their obligations under the Income Tax Act, visit our website at canada.ca/charities-giving .

If you have any questions or require further information or clarification, please contact me at 343-661-0875.

Yours sincerely,

[REDACTED]
Alexandra Meyers
Charities Directorate
Canada Revenue Agency
Suite 1306
Tower A, Place de Ville
320 Queen Street
Ottawa ON K1A 0L5

January 3, 2023

Alexandra Meyers
Charities Directorate
Canada Revenue Agency
Tower A, Place de Ville
320 Queen Street
Ottawa ON K1A 0L5

Dear Alexandra Meyers:

Please see below responses to the audit findings letter dated November 3, 2022.

1. Description of operations:

To provide a brief background prior to 2019/2020 in question, we provided, and continue to provide, operational support for the vision we share with the Maxwell Leadership Foundation (U.S.) global programs including Community and National Transformation initiatives.

You will note that the Canadian Foundation has had a significant decrease in donations. This is due to a variety of reasons, including our Director, Jeff Williams, resigning in March 2018. Jeff was part of the Canadian Foundation since its inception, and was [REDACTED] spending time working to bring awareness about the Canadian Foundation with his many business associates [REDACTED] In addition, COVID had a significant negative impact on donations (and charitable activities).

[REDACTED] before being a part-time consultant, was contracted in March 2020 as a full-time consultant which increased costs to the Foundation in consulting fees, as well as travel expenses as [REDACTED] consults on [REDACTED] providing coordination and hosting potential donors who travel with the organization on vision trips.

With the onset of COVID, the Canadian Foundation has not yet had the opportunity to increase the Board presence which would impact the awareness of the Canadian Foundation, as well as provide funding for the programs.

Attached is a copy of the JMLF Program descriptions (Page 14 of PDF)

2. Description of relationship between JMLF Canada and JMLF US:

There is no formal relationship between the two; however, they share a common vision and work together to promote the charitable objectives of each.

Each has a separate board, and each is a separate entity. There is no common control.

U.S. Foundation's Board: [REDACTED]
[REDACTED]

Canadian Foundation's Board: Mark Cole, Traci Morrow and Edward Loussarian.

3. **Invoices for expenses per breakdown attached (Pages 15 – 38)**
4. **Updated T1235 attached (Page 39)**
5. **Updated board meeting minutes attached (Page 40 - 41)**
6. **Travel history for 2019 and 2020 are as follows. Full itinerary attached (Pages 42 – 83)**

2019:

Costa Rica – February 18-22, 2019 -- Event Schedule and description attached
Guatemala – March 18-22, 2019 – Event Schedule and description attached
Calgary – April 5-7, 2019 - Fundraising Event – Event Schedule and description attached
Paraguay – May 19-23, 2019 - Event Schedule and description attached
California – October 26-30, 2019 – Annual Donor Event - Event Schedule and description attached
Events Meeting, Atlanta – December 9-12, 2019 – Overview of 2020 Event Schedule and Planning

2020:

Florida – February 12, 2020 – Information booth while John Maxwell speaks at an event
October 26-30, 2020 - Annual Donor Event - Event Schedule and description attached

7. Discrepancies Line 4500 vs Donation listing

After performing a reconciliation of the donation listing initially provided vs the donation listing that was prepared based on the bank deposits, it looks like there was an error on the listing that was provided. Attached are copies of the monthly donations that add up to the amount reported on the T3010. (Page 84 – 136)

The discrepancy in 2020 is much smaller and is due to a similar issue. The donations reported on the T3010 are based on the bank deposits and receipts issued. The schedule has an error in which there is a discrepancy of \$475.

8. Variance between T3010 and F/S for 2020

The discrepancy relates to an accrual that was recorded but did not get picked up on the T3010 as the adjustment was made prior to the finalizing of the financial statements. The T3010 did not get adjusted from its draft state prior to filing. We are attaching a revised copy of the T3010 to match the FS as part of this submission. (Pages 145 – 153)

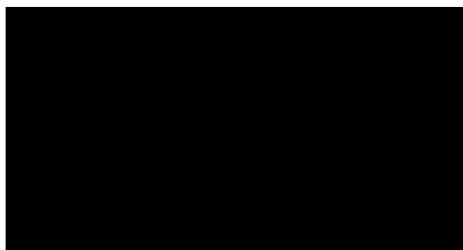
9. Changes for Lines 5000 to 5040 in 2019

Line 5020 should be NIL and instead, line 5000 should be \$16,361 and line 5040 should be \$20,096 should be included on Line 5040. Breakdown of lines 5000 to 5040 attached. (Pages 137 – 140)

Lines 5000 to 5040 have been revised for 2020. Revised T3010 is attached. Variance of \$2,000 has also been fixed on the revised T3010. (Pages 141 – 144)

We have left out of this response information that we have previously provided in order to reduce the amount of documents in the attached. If you require us to resubmit any information or have any questions about the information that is being submitted, please feel free to contact us.

Yours very truly,



Audit of the John Maxwell Leadership Foundation of Canada (the Organization) for the fiscal periods from January 1, 2019, to December 31, 2020

Comments on the Organization's representations of January 3, 2023

In our letter of November 3, 2022, we explained that the audit conducted by the Canada Revenue Agency (CRA) had identified that the Organization:

1. Failed to maintain adequate books and records
2. Failed to devote resources to charitable activities carried on by the Organization itself
3. Failed to file an information return as and when required by the *Income Tax Act* and/or its Regulations

We have reviewed the Organization's January 3, 2023, response, and it remains our position that the non-compliance issues listed above have not been alleviated and represent a serious breach of the requirements of the Act. The Organization has failed to provide additional documentation, or offer a sufficient explanation, to address the identified areas of non-compliance. As such, it remains our position that the Organization's registration as a charity should be revoked.

Please find below:

1. A summary of the issues raised in our November 3, 2022, letter;
2. A summary of the Organization's representations as provided in its January 3, 2023, response; and
3. The CRA's response with respect to each issue.

1. Failure to maintain adequate books and records

It is our position that the Organization failed to fulfill its requirement to maintain and make available adequate books and records, which constitutes severe and material non-compliance.

In response to the audit request, dated April 14, 2022, the Organization failed to provide information and documentation to address the following requested items:

- In relation to expenditures reported in Schedule 2, *Activities outside Canada*, of the Organization's Form T3010, *Registered Charity Information Return*, a detailed description of each activity, program and/or project carried out in the audit period, including:
 - a description of the regular operations of each program,
 - an explanation of the roles of all parties involved,
 - copies of signed written agreements with each party, and
 - a description of how each activity relates to one of the Organization's stated charitable purposes;

- a description of the relationship between the Organization and The John Maxwell Leadership Foundation (a related entity based in the United States of America) (hereafter referred to as “JMLF US”);
- information in relation to amounts reported on line 4920 (other expenditures) of its Form T3010s, journal listings, descriptions and sample invoices in support of these expenses;
- a detailed reconciliation of the amounts reported on lines 5000 through 5040 (total expenditures on charitable activities, management and administration, fundraising, and other) of its Form T3010s, with specific documentary requests relating to the line 5040 amounts; and
- information applicable to Form T1235, *Directors/Trustees and Like Officials Worksheet*.

Further, the audit revealed deficiencies in the documentation that was provided, as the summary donation listings provided for each of the fiscal years under audit did not include a total amount of donations received each year and we were unable to match the calculated total to the amounts reported at line 4500 of the Organization’s Form T3010s, which resulted in variances of \$1,550 (2019) and \$475 (2020). In addition, the minutes of a board meeting held on May 7, 2020, included very little detail regarding the Organization’s activities, failed to demonstrate internal controls, and referenced another meeting, which was held on June 25, 2019, for which we were not provided with any documentation.

Organization’s representations:

The Organization’s January 3, 2023, representations included the following items that were originally not included with its response to our initial audit request:

- A description of activities, including the Individual, Community and National Transformation initiatives;
- A statement regarding the relationship between the Organization and JMLF US, along with the names of the board members of each entity;
- Itineraries for events located in Costa Rica, Guatemala, Calgary, Paraguay, and California.
- A summary of the amounts reported on line 4920 for the fiscal year ended 2020, along with the applicable invoices;
- A reconciliation of lines 5000 through 5040 for both fiscal years, along with a description of the expenses;
- A copy of Form T1235 applicable to the 2020 fiscal year; and
- A revised Form T3010 for the 2020 fiscal year, with adjustments to the amounts reported on various lines including the allocation of expenditures reported on lines 5000 through 5040.

The Organization also stated that it performed a reconciliation of the summary donation listing initially provided to us with another donation listing that was prepared based on the bank deposits, and that this second reconciliation had identified an error in the listing that was initially provided to us. The Organization provided copies of monthly donation reports for 2019, along with a summary, and the total amount of donations matched line 4500. The Organization further stated that the same issue had occurred in 2020.

In response to our concerns regarding the meeting minutes, the Organization provided a copy of board meeting minutes dated December 15, 2020.

CRA's response:

Our review of the documentation provided with the Organization's January 3, 2023, response revealed the following concerns:

A) Activities

The Organization's response failed to demonstrate that it carried out its own activities/programs during the audit period. The response included a description of the programs, including Individual, Community and National Transformation initiatives, as well as the "Lead" program (also known as "iLead"), which are listed on the website¹ and appear to be the same activities as those carried out by JMLF US. The Organization's description did not include details of the roles of the different parties involved nor any supporting documentation to demonstrate that the activities described were its own activities.

Further, the Organization stated in its response "...we provide, and continue to provide, operational support for the vision we share with the Maxwell Leadership Foundation (U.S.) global programs including Community and National Transformation initiatives." Based on this statement and the fact that the programs described are virtually the same as the activities advertised by JMLF US, it appears that the Organization is acting as a conduit, which was cautioned against at the time of registration.

B) Relationship with JMLF US

The information and documentation provided during the audit failed to demonstrate how the Organization distinguished its activities and operations, and maintained the required separation with JMLF US. As stated in our initial letter, dated April 14, 2022, the website appears to be shared between the two organizations, as the "Contact Us" page lists an address for the Canadian office as well as a Main Office in the US. In addition, the "Donate" page provides a separate link for Canadian donors.

¹ jmlf.org (However, the website URL has since changed to maxwellleadership.org).

The Organization stated in its response:

"There is no formal relationship between the two [organizations]; however, they share a common vision and work together to promote the charitable objects of each. Each has a separate board, and each is a separate entity. There is no common control."

U.S. Foundation's Board: [REDACTED]

Canadian Foundation's Board: [REDACTED], Traci Morrow and Edward Loussarian."

However, we disagree with the assertion the two organizations operate independently of each other. As indicated in Item A above, the Organization and JMLF US have activities in common and share a website, which demonstrates a clear linkage. The website does not distinguish which activities are undertaken by the Organization and which are carried out by JMLF US. Further, we note that two of the Organization's three directors, as listed above and on the Organization's Form T1235, which was provided with the representations, are also directors of JMLF US. The Organization's response failed to include details of the roles and parties involved, written agreements and other documentation to demonstrate that it maintained the necessary direction and control over its resources and activities.

C) "Administration" expenses (Consulting fees)

The Organization's largest expense during the audit period was "Administration" (Consulting fees) in the amount of \$48,000 in 2019 and \$107,024 in 2020, or 57% and 76% of total expenditures, respectively. These amounts were paid to [REDACTED] (or [REDACTED]). In the Organization's response, it stated:

[REDACTED] before being a part-time consultant, was contracted in March 2020 as a full-time consultant which increased costs to the Foundation in consulting fees, as well as travel expenses as [REDACTED] consults on [REDACTED] providing coordination and hosting potential donors who travel with the organization on vision trips."²

² Based on a letter from the Organization during the registration process dated March 17, 2016, "vision trips" relate to fundraising, and are trips that donors and prospective donors in Canada will make, at their own expense, to meet and learn more about the Organization and its roundtables. For example, donors and prospective donors might travel to Vancouver for a meeting. The National Coordinator and/or members of the Applicant's board or directors will also participate in the meeting, and individuals or groups of individuals enrolled in roundtables may also attend to explain what they are learning in the roundtables.

The Organization's representations included copies of invoices from Management Solutions with the description "National Coordinator Services..." and bank statements which included records of e-transfers and cheques made out to [REDACTED] or [REDACTED] during the audit period. The Organization representations failed to include details on the consultant's role or how the services provided furthered its charitable purposes.

D) Payments to a non-arm's length party

Based on our research, it appears that [REDACTED] also works for JMLF US [REDACTED] [REDACTED] Edward Loussarian, who is a member of the Organization's board of directors, as per the Organization's Form T1235 for 2020. In absence of meeting minutes or other documentation to demonstrate a selection process was carried out to ensure payments made to [REDACTED] were reasonable and at fair market value, it appears that the Organization delivered an undue benefit in the form of payments issued to a non-arm's length party (\$48,000 in 2019 and \$107,024 in 2020, or 57% and 76% of the Organization's total expenditures, respectively).

E) "Event expenses" and "Travel"

Our review of the itineraries applicable to "Event expense" and "Travel" revealed that the events appear to be hosted by related entities (JMLF US and [REDACTED])³. The itineraries revealed that the consultant, [REDACTED], attended some of these events and the applicable travel-related expenses incurred by the Organization during the audit period were for [REDACTED] to attend these events on the Organization's behalf.

F) Line 4920 (Other expenditures)

The information and documentation related to the expenditures reported on line 4920 was only provided for 2020, however, we requested this information for both fiscal years under audit. Further, the Organization did not provide a description of the purpose for the expenditures reported on line 4920, including an explanation of how these expenditures furthered its charitable purposes.

G) Lines 5000 through 5040 (Allocation of expenditures)

A reconciliation of the amounts reported on line 5000 through 5040 was provided for both fiscal years under audit, however, the Organization failed to provide a description of the allocation methodology it used and did not provide copies of the three largest expense vouchers reported on line 5040 for each year.

[REDACTED]

Further, the audit revealed concerns with the expenditures allocated to each line. Legal and accounting fees were reported on line 5040 (Other expenditures), when they should be reported on line 5010 (Management and administration). Further, some of the expenditures reported on line 5000 (Charitable activities), including airfare, car rental, printing, and miscellaneous (food, [REDACTED] clothing, and [REDACTED] which would not be considered charitable based on our understanding of the Organization's operations, and should have been reported on lines 5010 or 5040 instead.

H) Meeting minutes

The Organization provided multiple duplicate copies of the minutes of an annual general meeting of the directors (10:00am) and the members (10:15am), held on May 7, 2020. During our examination of the minutes, we noted a reference to another meeting, held on June 25, 2019, which is within the audit period, and for which the Organization never provided meeting minutes. In addition, the minutes of the May 7, 2020, meeting included very little detail regarding the Organization's activities. The minutes failed to demonstrate internal controls including ongoing decision making, review and approval of operations, and processes to ensure the safeguarding of charitable assets.

The Organization's January 3, 2023, response included a copy of the minutes from a December 15, 2020, board meeting, however, these minutes appear to be for a meeting held by the JMLF US board of directors. The location of the meeting was at the John Maxwell Leadership Center located in Duluth, GA, and in attendance was [REDACTED] (all current board members of JMLF US), as well as [REDACTED] who appear to be employees of the US entity.

I) Physical address

[REDACTED]

Based on this, it appears that the Organization does not have a physical location in Canada where it conducts its activities. Further, two of the Organization's three directors are not residents of Canada, and therefore, it is unlikely the Organization would be considered resident in Canada.

Based on the above, it remains our opinion that the Organization has failed to satisfy the requirements of subsection 230(2) of the Act. The non-compliance described above, specifically the issues described in points A through D, represents serious and material non-compliance. The Organization's books and records have failed to demonstrate that it is conducting its own

[REDACTED]

charitable activities and maintaining the required separation between itself and JMLF US, both of which were concerns raised with the Organization when it was registered. Despite being made aware of these concerns, the Organization continued to support the activities of JMLF US. Consequently, it is our position that the Organization's charitable status should be revoked in accordance with paragraph 168(1)(e) of the Act.

2. Failed to devote resources to charitable activities carried on by the Organization itself

The audit revealed that, per the information reported in the Organization's Form T3010 for both fiscal periods under audit, less than 10% of its expenditures were used for charitable activities.

The documentation provided regarding the Organization's "Administration" (Consulting Fees) expenditures revealed that the Organization paid \$48,000 (2019) and \$107,024 (2020) to [REDACTED] [REDACTED] which represented 57% and 76% of the Organization's total expenditures for those years, respectively. Based on information available online, [REDACTED] role was Advanced Operations Lead at The John Maxwell Leadership Foundation,⁶ although it was unclear whether this role was with the Organization or JMLF US. Without a detailed description of the purpose for these expenditures, and an explanation of how they furthered the Organization's charitable purpose, it is our position that these expenses were not for charitable activities in support of the Organization's charitable purposes, and as such, the Organization failed to devote its resources to charitable activities.

In addition, a credit card statement issued in the name of the Organization and [REDACTED] included various charges for meals and travel. In absence of any documentation to demonstrate that these expenses furthered the Organization's charitable purpose, it appears that by paying the expenses of a related, not-arm's length party, the Organization may have conferred an undue benefit.

Organization's representations:

The Organization provided a description of the recent changes with its operations as well as [REDACTED] role within the Organization. The Organization stated:

"... we provide, and continue to provide, operational support for the vision we share with the Maxwell Leadership Foundation (U.S.) global programs including Community and National Transformation initiatives.

You will note that the Canadian Foundation has had a significant decrease in donations. This is due to a variety of reasons, including our Director, Jeff Williams, resigning in March 2018. [...] In addition, COVID had a significant negative impact on donations (and charitable activities).

[REDACTED] before being a part-time consultant, was contracted in March 2020 as a full-time consultant which increased costs to the Foundation in consulting fees, as well as travel expenses as she consults on Partner Care, providing coordination and hosting potential donors who travel with the organization on vision trips.

With the onset of COVID, the Canadian Foundation has not yet had the opportunity to increase the Board presence which would impact awareness of the Canadian Foundation, as well as provide funding for the programs.”

As stated above, the Organization also provided:

- Itineraries for events located in Costa Rica, Guatemala, Calgary, Paraguay, and California.
- A summary of the amounts reported on line 4920 for the fiscal year ended 2020, along with the applicable invoices;
- A reconciliation of lines 5000 through 5040 for both fiscal years, along with a description of the expenses;
- A copy of Form T1235 applicable to the 2020 fiscal year; and
- A revised Form T3010 for the 2020 fiscal year, with adjustments to the amounts reported on various lines including the allocation of expenditures reported on lines 5000 through 5040.

CRA's response:

In relation to Consulting Fees, the Organization stated that [REDACTED] consulted on “Partner Care” by providing coordination and hosting potential donors who travelled with the Organization on vision trips, however, it remains unclear how her role contributed to the Organization’s charitable purposes and/or if their role benefitted the Organization or JMLF US.

As indicated above, the audit also revealed that [REDACTED] is non-arm’s length with one of the Organization’s directors, Edward Loussarian. The Organization’s representations failed to demonstrate that a selection process was carried out to ensure payments made [REDACTED] for consulting services were reasonable and at fair market value, and as a result, it appears that the Organization delivered an undue benefit in the form of payments to a non-arm’s length party.

In relation to the charges for meal and travel, the Organization explained that these expenses were incurred as a result of [REDACTED] role of consulting on [REDACTED]. However, the audit also revealed that these expenses were incurred for [REDACTED] to attend events that were hosted by related entities (JMLF US and [REDACTED]). As a result, it is our opinion that these expenses were not incurred to carry out the activities of the Organization, but to carry out the activities of JMLF US and [REDACTED]

Since its fiscal year ending December 31, 2017 (the year in which it was granted charitable registration), the Organization has devoted only a small amount of its resources to charitable activities (line 5000). The Organization provided a reconciliation of lines 5000 through 5040 of its Form T3010s for both fiscal years in the audit period. However, as stated above, some of the expenditures included on line 5000, including airfare, car rental, printing, and miscellaneous (food, [REDACTED] clothing, and [REDACTED]), would not be considered charitable based on our understanding of the Organization's purported operations. The expenditures related to airfare, car rental and food were for [REDACTED] to attend events hosted by JMLF US and [REDACTED] and therefore should not be allocated to line 5000.

The Organization's response failed to demonstrate how any of its resources were used for its own activities and furthered its charitable purposes. Consequently, it remains our position that the Organization failed to meet the requirements of subsection 149.1(1) of the Act by failing to devote substantially all of its resources to charitable activities carried on by the Organization itself. For this reason, it is our position the Organization's charitable status should be revoked under paragraph 168(1)(b) of the Act.

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

It is our position that the Organization failed to comply with subsection 149.1(14) of the Act by failing to file an accurate Form T3010 return for both fiscal periods under audit. Specifically, the Organization failed to complete line 5900 "Average value of property not used directly in charitable activities or administration during the 24 months before the **beginning** of the fiscal period" and line 5910 "Average value of property not used directly in charitable activities or administration during the 24 months before the **end** of the fiscal period". In addition, there was a discrepancy between the amounts reported in its Form T3010 and in its financial statements for the fiscal period ended December 31, 2020, which resulted in variances of \$1,992 for total liabilities, and \$2,000 for total expenditures.

Organization's representations:

The Organization agreed that it had made the errors identified in our November 3, 2022, letter, and provided a revised Form T3010 for the fiscal period ended December 31, 2020, to address our concerns. The Organization also provided documentation in relation to its expenditures, as listed above.

CRA's response:

The Organization provided a revised Form T3010 for its fiscal period ended December 31, 2020, to make adjustments on the various lines reported on and to address the concerns in our letter dated November 3, 2022. However, in order to request changes to the information on Form T3010, the Organization should have completed a Form T1240, Registered Charity Adjustment Request, instead of simply submitting a revised Form T3010.

In addition, our review of the revised Form T3010 revealed the following concerns:

A) Lines 5900 and 5910 (Disbursement quota calculation)

The Organization still failed to complete line 5900 "Average value of property not used directly in charitable activities or administration during the 24 months before the beginning of the fiscal period" and line 5910 "Average value of property not used directly in charitable activities or administration during the 24 months before the end of the fiscal period".⁷

B) Lines 5000 through 5040 (Allocation of expenditures)

As stated above, the Organization provided a reconciliation of the amounts reported on line 5000 through 5040 both fiscal years under audit. A review of the expenditures allocated to each line revealed that the Organization is not accurately allocating its expenditures. Legal and accounting fees were reported on line 5040, when they should be reported on line 5010. Further, some of the expenditures reported on line 5000, including airfare, car rental, printing, and miscellaneous (food, [REDACTED] clothing, and [REDACTED] would not be considered charitable based on our understanding of the Organization's operations, and should have been reported on lines 5010 or 5040 instead.

As such, it remains our position that the Organization has failed to comply with subsection 149.1(14) of the Act by filing an inaccurate Form T3010, and for this reason there are grounds to revoke the Organization's registration under subsection 168(1)(c) of the Act.

Final remarks

Notwithstanding the Organization's attempt to alleviate the concerns identified during the audit, the remaining concerns represent significant non-compliance with the requirements of the Act. Given that these non-compliance concerns were not alleviated, it remains our position that the Organization no longer meets the requirements of the Act for charitable registration and that its registration should be revoked.

⁷ For the purposes of calculating the disbursement quota, this property includes any real estate, investments, or other assets that were **not** used directly in charitable activities or administration. This may include, for example, cash in bank accounts, inventory, stocks, bonds, mutual funds, GICs, land, and buildings.

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

(i) 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,

(iii) 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,

(b.1) a registered journalism organization,

(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

$$\mathbf{A - B}$$

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
 - (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.