



OCT 17 2007

BY REGISTERED MAIL

Canadian Single Adult Ministry Inc.
P.O. Box 69539
109 Thomas Street
Oakville, ON L6J 7R4

BN: 89203 2624RR0001
File No: 3006291

Attention: Ms. Ruth Stockdale, Executive Director

**SUBJECT: Notice of Intention to Revoke
Canadian Single Adult Ministry Inc.**

Dear Ms. Stockdale:

I am writing further to our letter dated July 30, 2007 (copy enclosed), in which you were invited to submit representations to us as to why the Minister of National Revenue should not revoke the registration of Canadian Single Adult Ministry Inc. (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA"). As of this date, we have not received representations to our letter.

Consequently, for each of the reasons mentioned in our letter of July 30, 2007, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) of the ITA, and delegated to me, I propose to revoke the registration of the Charity. By virtue of subsection 168(2) of the ITA, the revocation will be effective on the date of publication in the *Canada Gazette* of the following notice:

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(c), 168(1)(d) and 168(1)(e) of the Income Tax Act, that I propose to revoke the registration of the organization listed below under subsection 149.1(2), and paragraph 149.1(2)(b) of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.

Account Number
89203 2624 RR 0001

Name
Canadian Single Adult Ministry Inc.
Oakville, ON

.../2

In accordance with subsection 168(2) of the ITA, you can suspend this process (i.e. seek an extended period before revocation) by applying to the Federal Court of Appeal or a judge of that court for a stay. The Court will acknowledge your application and provide you with an action number. We require a copy of the Court acknowledgement of your request for a stay to stop the revocation process.

Should you wish to appeal this Notice of Intention to Revoke the Charity's registration in accordance with subsection 168(4) of the ITA, you are advised to file a Notice of Objection within 90 days from the mailing of this letter. This notice is a written statement that sets out the reasons for the objection and all the relevant facts. The Notice of Objection should be sent to:

Tax and Charities Appeals Directorate
Appeals Branch
25 Nicholas Street
Ottawa, ON K1A 0L5

Please note that, notwithstanding the filing of a Notice of Objection, the Charity must seek the above-noted stay to prevent revocation from occurring. Unless the Canada Revenue Agency receives notice that an application for a stay has been filed to the Federal Court of Appeal or judge of that court regarding this revocation, we intend to proceed with the publication of the above notice in the *Canada Gazette* in 30 days thereby affecting the revocation of the organization's registration.

Consequences of a Revocation

As of the date of revocation of the registration of the Charity, which is the date upon which the above-noted notice is published in the *Canada Gazette*, the Charity will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts.**

Additionally, by virtue of section 188 of the ITA, the Charity will be required to pay a tax within one year from the date of the Notice of Intention to Revoke the Charity's registration. This revocation tax is calculated on prescribed form T-2046 "*Tax Return Where Registration of a Charity is Revoked*". The return must be filed and the tax must be paid on or before the day that is one year from the date of the Notice of Intention to Revoke a charity's registration. For your reference, I have attached a copy of the relevant provisions of the ITA in Appendix "A" concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation. Form T-2046, along with the related Guide RC-4424, "*Completing the Tax Return Where Registration of a Charity is Revoked*", are also attached for your information.

Also, the Charity will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (the "ETA"), effective on the date of revocation. As a result it may be subject to obligations and entitlements under the ETA that apply to organizations other than charities. The relevant ETA provisions are attached in Appendix "B". If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

Furthermore, I wish to advise you that pursuant to subsection 150(1) of the ITA, a return of income for each taxation year in the case of a corporation (other than a corporation that was a registered charity throughout the year) shall without notice or demand therefore, be filed with the Minister in prescribed form containing prescribed information.

Yours sincerely,



✓
Terry de March
Director General
Charities Directorate

Attachments

- Our letter dated July 30, 2007
- Appendix "A", Relevant Provisions of the *Income Tax Act*,
- Appendix "B", Relevant Provisions of the *Excise Tax Act*,
- Form T-2046, *Tax Return Where Registration of a Charity is Revoked*;
- Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*.



REGISTERED MAIL

July 30, 2007

Canadian Single Adult Ministry Inc.
1225 Rebecca Street
Oakville, Ontario L6L 1Z1

Account No: 89203 2624RR0001
File No: 3006291

Attention: Ms. Ruth Stockdale

Dear Ms. Ruth Stockdale:

RE: Audit of Canadian Single Adult Ministry Inc.

This letter is further to the audit of the books and records of Canadian Single Adult Ministry Inc. (the "Charity") by the Canada Revenue Agency (the "CRA"). The audit related to the operations of the registered charity for the period ended August 31, 2004.

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

AREAS OF NON-COMPLIANCE:		
	Issue	Reference
1.	Charitable Activities and Purpose	168(1)(b)
2.	Gifts	118.1
3.	Official Donation Receipts	Regulation 3501, 168(1)(d)
4.	Books and Records	230(2)
5.	Remuneration and Benefits Reporting	Regulation 200(1), 6(1)(a)
6.	Charity Information Return	168(1)(c), 149.1(2)

The purpose of this letter is to describe the areas of non-compliance identified by the CRA during the course of our audit as they relate to the legislative provisions applicable to registered charities and to provide the Charity with the opportunity to address our concerns. In order for a registered charity to retain its registration, it is

required to comply with the provisions of the ITA and Common Law applicable to registered charities. If these provisions are not complied with, the Minister of National Revenue may revoke the Charity's registration in the manner prescribed in section 168 of the ITA.

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

Identified Areas of Non-Compliance:

Charitable Activities and Purpose:

The Charity is registered as a charitable organization. In order to satisfy the definition of a "charitable organization" pursuant to subsection 149.1(1) of the ITA, "charitable organization" means an organization.... "All the resources of which are devoted to charitable activities".

To qualify for registration as a charity under the ITA, an organization must be established for charitable purposes that oblige it to devote all its resources to its own charitable activities. This is a two-part test. Firstly, the purposes it pursues must be wholly charitable and secondly, the activities that a charity undertakes on a day-to-day basis must support its charitable purposes in a manner consistent with charitable law. Charitable purposes are not defined in the ITA and it is therefore necessary to refer, in this respect, to the principles of the common law governing charity. An organization that has one or more non-charitable purposes or devotes resources to activities undertaken in support of non-charitable purposes cannot be registered as a charity.

Operating Ultra Vires

As above, registered charities are required to pursue activities in furtherance of the purposes for which they are established. There is some concern that the Charity is operating outside of its corporate mandate.

The Charity was registered "to carry out an interdenominational evangelical Christian ministry to establish single adults as an active and vital part of the church through evangelism, discipleship and Christian community" on May 11, 1999.

It is our view, based on our review, that the Charity was involved in a tax planning donation arrangement, which were non-charitable activities. In fact, the evidence on the file, as outlined below, demonstrates that the preponderance of the effort and resources of the Charity were devoted to participating in a tax planning donation arrangement while an incidental and comparatively insignificant amount of effort and

resources were devoted to charitable programming during the audit period. Operating for the purpose of promoting a tax planning donation arrangement is not a charitable purpose at law.

The Charity has participated in the Charitable Technology Trust Gifting Program (TS068411) in the fiscal period ended August 31, 2004 by agreeing to accept cash and property from taxpayers who were also participants in the tax shelter. Participant donors applied to become class "A" beneficiaries of the Charitable Technology Trust and as beneficiaries were to receive licensed software. The participant donor was to "gift" the licensed software plus a cash component to the Charity. The cash component was equivalent to the lien against the title of each licence. The Charity issued official donation receipts for both the fair market value of the licensed software less the lien registered against the license and the cash component to the participant donors. It is our understanding the Charity used the cash component received, less a 3% administration fee, to pay the liens on the licenses received to the tax shelter promoter. Additionally, it is our understanding that the licenses were not distributed to the Charity.

In 2004, the Charity's primary source of activity was from the Charitable Technology Trust Gifting Program. The Charity reported total income of \$558,715, of which \$441,324 (79%) was received from the participant donor's cash donations, and total expenditures of \$561,909, of which \$416,736 (74%) paid to 6139400 Canada Ltd, the tax shelter promoter; \$115,120 (20%) for charitable programs and \$30,053 (6%) for administrative expenses. Payments to the tax shelter promoter are not considered expenditures incurred for charitable purposes.

This low ratio of expenditures disbursed for charitable purposes appears to indicate that the Charity was not devoting all its resources to "charitable purposes".

In the donation arrangement identified above, the Charity has failed to demonstrate any due diligence undertaken to verify the authenticity of the donation program, the goods involved, the value of said goods or how participation in the program furthers the objects of the organization. The Charity relied upon information provided by the promoters without undertaking any additional efforts to corroborate or contradict the opinions provided by persons directly associated with the tax shelter promoters.

It is also our view that the actions undertaken by the executive director and/or the board of directors do not demonstrate either was acting in the best interests of the Charity. As per our meeting of June 16, 2006, Ms. Ruth Stockdale, Executive Director stated that the Charity had a charitable trust foundation that was recommended to the Board by the Tax Reduction Specialists group in Oakville, Ontario. Ms. Stockdale stated that she did whatever she was told to do by the Board and she does not have much information about

the tax shelter program the Charity was involved with. This statement contradicts the correspondence obtained whereby the recruiter contacted Ms. Stockdale about the gifting program and Ms. Stockdale was advised to "*Push hard with the board, I don't think they want to miss this.*" Ms. Stockdale added on June 16, 2007 "*it was only one time and never had it after that because the Charity could not get what they were expected...the Charity received only 2% to 3% of the total funds raised*".

According to our understanding of the sequence of events, the Charity's board of directors and Ms. Stockdale met on January 10, 2004 with Michael King, principal of Multisolve Networks Corporation, to discuss the proposed arrangement and decided to enter into a working relationship with Multisolve Networks Corporation and to issue the appropriate tax receipts. Meanwhile, the Charity's banking records identify cash donations deposited on December 31, 2003; January 2, 2004; and January 5, 2004. It appears the board and/or the director initiated the agreement prior to finalizing the agreement with Multisolve Networks Corporation or conducting any independent reviews of the proposed arrangement.

Ms. Stockdale also stated that she was provided a spreadsheet with the values of the packages and she prepared and signed the official donation receipts accordingly without consulting any other sources. The receipts were prepared without copies of supporting documentation or receipt of the licensed software by the Charity. Donation receipts for the licenses donated were dated January 31, 2004 and stated "2003 Official Receipt". She also signed the cheque for \$416,736 payable to the promoters (Cheque number 131 cleared on January 14, 2004 from Charity's CIBC account number [REDACTED]).

From the Charity's participation in the tax shelter, we are led to believe the Charity was merely operating as a conduit for the identified tax shelter. In the donation arrangement, the Charity enables itself to accept the goods being promoted and to issue official donation receipts for the amounts predetermined by the tax shelter scheme promoter. Per correspondence obtained, "*CSAM will support the program through the issuance of charitable tax receipts for in kind and cash donations received to support the ongoing development of the communication technologies aligned with this partnership.*" And "*Charitable Technology Trust/Multisolve Networks Corp. will provide an administrative compensation equal to 3% of revenues represented in the receipts issued, payable immediately upon receipt of donations.*" The Charity did not appear to evaluate the program or the goods to be received prior to engaging in operations with the tax shelter. The Charity must retain direction and control over the use of its resources even if the charitable activities are being carried out by another organization. The Charity must be able to demonstrate at all times, through adequate books and records, that it was devoting resources to charitable activities as opposed to transferring resources to another

organization. In the case of Charitable Technology Trust Gifting Program, the Charity was receiving and receipting for licensed software; an activity that lies outside the Charity's registered objects. The Charity's sole role in Charitable Technology Trust Gifting Program was to issue receipts and it issued donation receipts for \$1,413,557 under this program. The Charity maintained no control or direction over the licensed software as the property was not received by the Charity.

Given the manner in which the Charity structures and conducts its activities to accommodate the tax shelter, and the proportional levels of involvement in the arrangement, it is our view that a collateral purpose, if not primary purpose of the organization is, in fact, to support and promote the tax shelter arrangement. In this regard, it appears that the Charity enthusiastically lent its physical, financial and human resources (not to mention tax receipting privileges) to support the tax shelter arrangement, with little regard for the mandate and best interests of the Charity itself. Operating for the purpose of promoting tax shelters is not a charitable purpose at law. It is further our view, therefore, that by pursuing this non-charitable purpose, the Charity has failed to demonstrate that it meets the test for continued registration under 149.1(1) as a charitable organization "all the resources of which are devoted to charitable activities".

Gifts:

The law provides various requirements with respect to the issuing of official donation receipts by registered charities. These requirements are contained in Regulations 3500 and 3501 of the ITA and are described in some detail in Interpretation Bulletin IT-110R3 *Gifts and Official Donation Receipts*.

No Animus Donandi

Under the common law, a gift is a voluntary transfer of property without consideration. To qualify as a gift, **all three** of the following conditions must be met: some property, either in the form of cash or a gift-in-kind, is transferred by a donor to a registered charity; the property is given voluntarily; the donor is transferring the property to the charity without expecting anything in return. No benefit of any kind may be provided to the donor or to anyone designated by the donor as a result of a gift.

An additional essential element of a gift is *animus donandi* - that the donor must be motivated by an intention to give. It must be clear that the donor intends to enrich the donee, by giving away property, and to generally grow poorer as a result of making the gift. It is our view, based on the transactions under the Charitable Technology Trust Gifting Program that the primary motivation of the donor was not to enrich the Charity,

but through a series of transactions and a minimal monetary investment, to make a profit through the tax credits so obtained.

In support of this position, we note that:

- The promotion material primarily focused 25-56% return on investment as a result of donor participation;
- Donors received a distribution of units from a trust and transferred ownership of the property to the Charity without using or seeing the property. The goods are typically transferred from the donors to the Charity within a few days of purchase or trust distribution;
- Minimal information is provided to the prospective "donors" as to how the "donations" will benefit the charity, or to the activities of the charity they are supporting; and
- Transactions are pre-arranged and handled entirely by promoters. Participants in these arrangements are merely expected to put forward a minimal investment to receive generous tax receipts in return.

As such, it is our position that there is no intention to make a "gift" within the meaning assigned at 118.1 of the ITA. Participants in these donation arrangements were primarily motivated by the desire to profit from the manipulation of the tax incentives available from donations rather than a desire to enrich the participating charity. It is also our position no part of the cash or licensed software was a "gift" made to the Charity by the "donors". In fact, the licensed software purportedly donated by the "donors" and transferred to the Charity was not transferred to or received by the Charity yet the Charity issued official donation receipts for this property.

Transactions between the Charity and 6139400 Canada Ltd. – The Charity has reported amounts received from participant donors as cash donations as tax-receipted gifts on the T3010 filed. Per the details above, it is clear that these amounts are not, in fact, gifts. It is clear that the cash donations received from the donors were actually charges levied by the tax shelter promoter to participate in the arrangement and were intended to pay the lien attached to the licensed software.

In support of this, we refer to an e-mail from the Charity to Michael King on December 31, 2001 detailing the Charity's understanding of partnership and benefits for the Charity whereby there is a clear link between the amount of cash received from the donors and the amount paid to the promoter. The amount paid to the promoter to satisfy the liens represented 97% of the total cash amounts received from "donors".

Fair Market Value

Under the ITA, a registered charity may issue a receipt for a donation of property other than cash, but it must ensure that the accurate fair-market value ("FMV") is determined and recorded on the receipt. It is our view that the Charity has contravened this requirement by not properly determining the FMV of donated property and has issued receipts other than for the actual value of the property gifted.

Due Diligence: We note with concern, with respect to this particular issue, that it appears that the Charity's directors have demonstrated a lack of due diligence with respect to receipting practices. In fact, and as above, we feel that the duty of the directors to operate in the best interests of the Charity has been sidetracked by its collusion with the tax shelter arrangement.

In support of this we note that the Charity has failed to demonstrate due diligence in verifying the authenticity of each donation program, the goods involved, the value of said goods or how participation in each program furthers the objects of the organization. No evidence was provided to indicate the Charity reviewed or obtained the opinions and valuation reports provided by the promoters or sought independent opinions or valuation reports in a reasonable effort to corroborate or contradict the opinions provided by persons directly associated with the tax shelter promoters.

As above, this has resulted in Charity issuing receipts for property it did not even see or receive.

Assuming the Charity issued receipts for property it received title to, the following information is pertinent:

Pending legislation:

As you may be aware on December 5, 2003, the Department of Finance publicly announced new rules with respect to charitable donations and FMV. These rules provide that where a taxpayer makes a gift of property that they acquired through a gifting arrangement that is a tax shelter or where the taxpayer acquired the property in the preceding three years, and gifts that property to a registered charity, the FMV of the gift is deemed to be the lesser of the actual FMV of the property and the cost of the property to the taxpayer. This legislation while still pending legislation is applicable in respect of gifts made after December 5, 2003.

It is our view, as expressed above, that the cash expenditure required of all participants in the tax shelter arrangement is a payment made to acquire the property. As

such, the FMV of the subsequent gift of that property is deemed, by virtue of proposed subsection 248(35), to be no more than the amount of the initial cash payment. Consequently the amount that the Charity was required under the *Income Tax Act* to record on its official donation receipts as the deemed FMV of the gift is significantly lower than what was actually recorded by the Charity.

It appears, in addition, that the Charity participated in an arrangement designed to avoid the application of proposed subsection 248(35). Specifically, it appears that following the introduction of these sections the tax shelter and the Charity began using a trust to distribute property to participants, again, to avoid the application of 248(35). We would note that proposed subsection 248(38) states that where it can be reasonably concluded that the particular gift relates to a transaction or series of transactions one of the main purposes of which is to avoid the application of subsection 248(35) the eligible amount of a the property so gifted is nil. As such, it is our view that even if the property received by the Charity is a "gift", which, as described above, given the motivation of the donors, is unlikely, the property so received by the Charity was not eligible for tax receipts reflecting a value greater than zero.

The Case Law: Fair market value generally means the highest price, expressed in dollars, that a property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other. The well-accepted definition of fair market value is found in the decision of Cattanach J. in *Henderson Estate & Bank of New York v M.N.R.* D.T.C 5471 at 5476:

The statute does not define the expression "fair market value", but the expression has been defined in many different ways depending generally on the subject matter, which the person seeking to define it had in mind. I do not think it necessary to attempt an exact definition of the expression as used in the statute other than to say that the words must be construed in accordance with the common understanding of them. That common understanding I take to mean the highest price an asset might reasonably be expected to bring if sold by the owner in the normal method applicable to the asset in question in the ordinary course of business in a market not exposed to any undue stresses and composed of willing buyers and sellers dealing at arm's length and under no compulsion to buy or sell. I would add that the foregoing understanding as I have expressed it in a general way includes what I conceive to be the essential element, which is an open and unrestricted market in which the price is hammered out between willing and informed buyers and sellers on the anvil of supply and demand. These definitions are equally applicable to "fair

market value" and "market value" and it is doubtful if the use of the word "fair" adds anything to the words "market value".

As outlined by Rothstein, J.A. in *AG (Canada) v Tolley et al 2005 FCA 386*, in applying the Henderson definition of fair market value, the first step is to accurately define the asset whose fair market value is to be ascertained. Rothstein, J.A. discusses the relevance of donating a group of items versus an individual item and states that because the items were only acquired and donated in groups, the relevant asset was the group of items, and not the individual items in the group.

It is our position the conclusion made by Rothstein, J.A. also applies to the donation of licences software units. Based on the quantities donated, the relevant asset would considered to be the group of goods donated, not the individual items within each group. Rothstein, J.A. continues by stating it is wrong to assume that the fair market value of a group of items is necessarily the aggregate of the price that could be obtained for the individual items in the group.

The second step in applying the Henderson definition is to identify the market in which the merchandise was traded. Rothstein, J. A. identifies this group of items might not be sold in the same market as individual items, and highlights this distinction through a comparison of the wholesale versus retail markets.

In *Klotz v The Queen 2004 TCC 147*, Bowman, A.C.J. stated *"It is an interesting questions that I need to consider here whether the price paid for something is truly indicative of fmv where the predominant component in the price paid is the tax advantage that the purchaser expects to receive from acquiring the object."*

Based on our findings, the fair market value on the donation receipts issued is not indicative of the fair market value of the goods donated. The value on the donation receipts issued is based on suggested retail price. We are of the opinion the retail market is not the relevant market as the goods were acquired, sold and donated in blocks of goods; therefore the more relevant market is the wholesale market. The fair market value of the licensed software would be the last known arm's length price paid for the goods.

Official Donation Receipts:

The audit also reveals that the donation receipts issued by the Charity do not comply with the requirements of Regulation 3501 of the ITA and IT-110R3 as follows:

- Donation receipts were issued without a statement that it is "an official receipt for income tax purposes" [Regulation 3501(1)].

- Receipts issued to acknowledge goods without date the donation was received [Regulation 3501(1)(e.1)(i)], a description of the property donated [Regulation 3501(1)(e.1)(ii)] or without indication of the name and address of the appraiser [Regulation 3501(1)(e.1)(iii)].
- It appears that official donation receipts were prepared and issued for licensed software in excess of fair market value [IT-10R3 Paragraph 15(e)].
- Official donation receipts were given where funds were directed to a specific person or family [IT-110R3 Paragraph 15(f)].

Books and Records

Pursuant to paragraph 230(2)(a) of the ITA, every registered charity shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing information in such form as will enable the Minister to determine whether there are any grounds for revocation of its registration under this ITA.

Charity was unable to provide adequate books and records. In the course of the audit, the following deficiencies were noted:

- Charity was unable to provide adequate supporting documents and necessary information regarding the Charitable Technology Trust Gifting Program.
- Charity was unable to provide details of the remuneration paid to Ms. Ruth Stockdale, Executive Director of the Charity.
- T4/T4A slips and summaries were not prepared and filed for the remuneration paid to the Executive Director of the Charity. The Charity does not maintain a payroll account with CRA.

Remuneration and Benefits Reporting

Where salaries or wages are paid, the ITA requires annual T4 Summaries and T4 Statements of Remuneration Paid be prepared by the employer [Regulation 200(1)]. T4A slips and summaries are required for contract payments to individuals over \$500 during the year. In addition to the salaries and wages actually paid, the T4 Summaries and T4 Statements of Remuneration Paid must also include the value of all taxable benefits conferred on employees in the year [paragraph 6(1)(a)]. T4 Summaries of remuneration paid must always be based on the calendar year.

Section 149.1(1) of the ITA, stipulates that no part of a charity's income "...is payable to, or otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor." In general, a registered charity cannot pay its directors/trustees simply for occupying their positions. Under the *Income Tax Act*, a registered charity that confers on a director / trustee an undue benefit is liable to a penalty equal to 105% of the amount of the benefit. This penalty increases to 110% and the suspension of tax-receipting privileges for a repeat infraction within 5 years.

T4 / T4A slips were not issued for remuneration paid by the Charity to Ms. Ruth Stockdale, Executive Director of the Charity even though the Charity records payments in excess of \$34,000 in 2004. Charity failed to provide the details of the remuneration paid to the Executive Director and did not comply with the repeated requests to provide this information.

Charity Information Return (T3010):

Pursuant to subsection 149.1(14) of the ITA, every registered charity must, within six months from the end of the charity's fiscal period (taxation year), without notice or demand, file a Registered Charity Information Return with the applicable schedules.

It is the responsibility of the Charity to ensure that the information that is provided in its Return, schedules and statements, is factual and complete in every respect. A charity is not meeting its requirement to file an Information Return if it fails to exercise due care with respect to ensuring the accuracy thereof.

The Charity improperly completed the Information Return for the fiscal period ending December 31, 2004 in that many items reported were incorrectly identified or omitted. Specifically the following items:

- C9 reports "N" whereby the Charity used incentive based fundraising by contracted fundraisers;
- C12 does not indicate the non-cash property for which the charity issued tax receipts;
- Line 4500 does not report \$972,233 in tax receipts issued for the licensed software;
- Line 4890 reports \$416,736 as donated and purchased supplies and assets expensed in the period however the amount recorded is the amount of lien paid to the tax shelter promoters for the licensed software
- F2 does not contain information on the gross amount the fundraisers collected, amount paid to or retained by the fundraisers and the net fundraising revenue received; and

- F4, line 5600 does not indicate \$972,233 as the amount of tax-receipted non-cash gifts received.

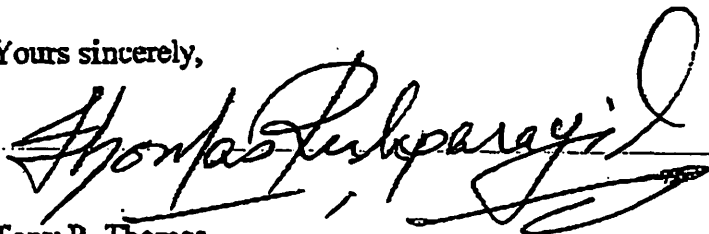
Conclusion:

If you do not agree with the concerns outlined above, we invite you to submit your written representations **within 30 days from the date of this letter**. After considering the representations submitted by the Charity, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include the issuance of a Notice of Intention to Revoke the registration of the Charity in the manner described in subsection 168(1) of the ITA. Should you choose not to respond, the Director General of the Charities Directorate may proceed with the issuance of a Notice of Intention to Revoke the registration of the Charity in the manner described in subsection 168(1) of the ITA.

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

If you require further information, clarification, or assistance, I may be reached at (519) 896-3706 or by facsimile at (519) 585-2803.

Yours sincerely,



Tony P. Thomas
Verification and Enforcement Division

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