



JUL 04 2006

BY REGISTERED MAIL

North York Montessori Learning Centre
16 Chadwick Avenue
Toronto, Ontario L4B 2W6

Attention: Mrs. Florence Miller

BN: 10778 6782 RR 0001
File #: 0547513

**SUBJECT: Notice of Intention to Revoke
North York Montessori Learning Centre**

Dear Mrs. Miller:

I am writing further to our letter dated April 5, 2006 (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 North York Montessori Learning Centre (hereinafter, the "Centre") in accordance with subsection 168(1) of the *Income Tax Act* (hereinafter, the "Act"). As of this date, we still have not received any response to our letter.

Consequently, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 168(1) of the Act, and delegated to me, I propose to revoke the registration of North York Montessori Learning Centre. By virtue of subsection 168(2) of the Act, 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) and 168(1)(e) of the Income Tax Act, that I propose to revoke the registration of the organization listed below and that the revocation of registration is effective on the date of publication of this notice.

File Number	Business Number	Name
0547513	10778 6782 RR 0001	North York Montessori Learning Centre Toronto, Ontario

Should you wish to appeal this Notice of Intention to Revoke the North York Montessori Learning Centre's registration in accordance with subsection 168(4) of the Act, you are advised to file a Notice of Objection within 90 days from the mailing

.../2

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
Canada Revenue Agency
25 Nicholas Street
Ottawa, ON K1A 0L5

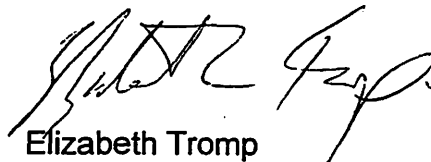
Consequences of a Revocation

As of the date of revocation of the registration of North York Montessori Learning Centre, which is the date upon which the above-noted notice is published in the *Canada Gazette*, North York Montessori Learning Centre 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 Act, North York Montessori Learning Centre 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 Act (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.

Furthermore, I wish to advise you that pursuant to subsection 150(1) of the Act, 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,



Elizabeth Tromp
Director General
Charities Directorate

Enclosures



APR 05 2006

BY REGISTERED MAIL

NORTH YORK MONTESSORI LEARNING CENTRE
16 CHADWICK CRESENT
TORONTO, ON
L4B 2W6

Your file / Votre référence

Our file / Notre référence

Attention: Florence Miller

Dear Madam:

**Re: North York Montessori Learning Centre
Audit of Registered Charity Information Returns
For Period of July 1, 2002 to June 30, 2004
Business Number: 10778 6782 RR0001**

This letter is further to an audit of the books and records of North York Montessori Learning Centre (the "Charity"), which was conducted by a representative of the Canada Revenue Agency ("CRA"). The audit related to the operations of the Charity for its fiscal periods ended June 30, 2004 and June 30, 2003.

The results of this audit and review indicate that the Charity is in contravention of certain provisions of the *Income Tax Act* (the "Act"). In order for a registered charity to retain its registration, it is required to comply with the provisions of the *Act* applicable to registered charities. If these provisions are not complied with, the Minister may revoke the Charity's registration in the manner described in section 168 of the *Act*.

The balance of this letter describes how CRA considered that the Charity contravened the *Act*.

Books and Records

Section 230(2) of the *Income Tax Act* requires every registered charity to maintain adequate records and books of account at an address in Canada recorded with the Minister. The purpose of this requirement is to enable the charity to accurately provide Canada Revenue Agency with the information required by the *Act* as well as enable

Canada Revenue Agency to verify the accuracy of reported information through the conducting of audits.

Section 230(4) also states "every person required by this section to keep books of account shall retain

- (a) the records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such period as prescribed; and
- (b) all other records and books of account referred to in this section, together with every account and voucher necessary to verify the information contained therein, until the expiration of six years from the date of the last taxation year to which the records and books relate".

A charity is not meeting its requirement to maintain adequate books and records if it fails to exercise due care with respect to ensuring the accuracy thereof.

It was found during the audit that no such book of account was maintained and that record retention in support of revenues and expenditures was incomplete.

The Charity's books and records and the internal accounting controls supporting them are considered to be grossly inadequate. As a result, the auditor was unable to confirm revenue and expenditures as recorded, the accounting of receipts and the charitable nature of expenditures as reported in the Information Return.

Benefits - Personal Use of Automobiles

Audit results indicate that the Charity has conferred benefits on individuals, the value of which have not been included on the Statement of Remuneration, Form T4/T4A, issued to those individuals. Specifically the Charity failed to report the benefits relating to the personal use of the Charity's automobile and apartment.

Automobile benefits for personal use occurs when (a) an automobile is available to employees as long as they have access to or control the vehicle - access ends only when the automobile keys are returned; (b) the automobile is being driven for personal use by the employee or a person related to that employee including vacation travel, driving for personal business and travel between home and work (even if the charity insists that the employee drive the vehicle home).

Income Tax Regulations state that any amount or benefit required by paragraph 6(1)(a) of the Act be included in computing a taxpayer's income for a taxation year from an office or employment.

Failure to File & Inactivity

The Charity is required to file a properly completed T3010 Charity Information return for each fiscal year it remains registered with the Department as a charitable organization. The audit indicates that the Charity failed to file Information Returns for the fiscal year - ended June 30, 2005.

At the commencement of the audit you had informed us that the Charity had ceased operations as of June 30, 2004. When a Charity becomes inactive, it should voluntarily request deregistration of its charitable status, which the Charity failed to do.

Conclusion

For the reasons listed above, it appears that there are grounds to revoke North York Montessori Learning Centre's status as a registered charity. The consequences to a registered charity of losing its registration include:

1. The loss of its tax exempt status as a registered charity which means that the Charity would become a taxable entity under Part I of the *Income Tax Act* unless, in the opinion of the Director of the applicable Tax Services office, it qualifies as a non-profit organization as described in paragraph 149(1)(l) of the *Act*;
2. Loss of the right to issue official donation receipts for income tax purposes which means that gifts made to the Charity would not be allowable as a tax credit to individual donors as provided at subsection 118.1(3) of the *Act* or as a deduction allowable to corporate donors under paragraph 110.1(1)(a) of the *Act*; and
3. The possibility of a tax payable under Part V, subsection 188(1) of the *Act*.

By virtue of subsection 188(1) of the Act, North York Montessori Learning Centre 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 T2046 "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 *Income Tax Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

If you do not agree with the facts outlined above, or if you wish to present reasons why the Minister should not revoke the registration of North York Montessori Learning Centre in accordance with subsection 168(2) of the *Act*, you are invited to submit your representations, **within 30 days from the date of this letter**. Subsequent to this date, the Director of Charities will decide whether or not to proceed with the issuance of a Notice of intention to revoke the registration of North York Montessori Learning Centre in the manner described in subsection 168(1) of the *Act*.

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

Should you have any questions regarding these matters, I may be contacted at 416-410-8839, or write to Charities Directorate, Canada Revenue Agency, Tower A, 320 Queen Street, Ottawa K1A 0L5.

Yours truly,



Abubakar Hatia
Verification and Enforcement Division

Tax Services Office: 13 - Toronto Centre

Telephone: 416 - 410-8839
Facsimile: 416 - 954-6015
Address: 1 Front St West
Toronto, ON
M5J 2X6
Internet: www.cra.gc.ca