



JAN 05 2007

BY REGISTERED MAIL

Sunshine Coast Wildlife Rehabilitation Centre
5636 Mason Road
West Sechelt, BC V0N 1A8

BN: 11920 6191RR 0001

Attention: Ms. Joanne Dickeson, Director

**SUBJECT: Notice of Intention to Revoke
Sunshine Coast Wildlife Rehabilitation Centre**

Dear Ms. Dickeson:

I am writing further to our letter dated October 19, 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 Sunshine Coast Wildlife Rehabilitation Centre (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA"). As of this date, we still have not received any response to our letter.

Consequently, for each of the reasons mentioned in our letter dated October 19, 2006, 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), 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.

Business Number
11920 6191RR 0001

Name
Sunshine Coast Wildlife Rehabilitation Centre
West Sechelt, BC

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:

.../2

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, 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, 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. If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287. For your reference, a copy of the relevant provisions of the ETA that apply to charities (Appendix "B") is also attached for your information.

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,


Elizabeth Tromp
Director General
Charities Directorate



Canada Revenue
Agency

Agence du revenu
du Canada

October 19, 2006

Sunshine Coast Wildlife Rehabilitation Centre
5636 Mason Road
West Sechelt, BC V0N 1A8

11920 6191RR0001

File: 0809475

Dear Ms. Dickeson:

Re: Audit of Sunshine Coast Wildlife Rehabilitation Centre

This letter is further to an audit of the books and records of Sunshine Coast Wildlife Rehabilitation Centre (hereinafter the "Charity") by the Canada Revenue Agency (hereinafter, the "CRA"). The audit related to the operations for the fiscal period ending December 31, 2003.

The audit indicated that the Charity appears to be in contravention of certain provisions of the *Income Tax Act* (herein after the "Act") or its Regulations. 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 of National Revenue (hereinafter the "Minister") may revoke the Charity's registration in the manner described in subsection 168(2) of the Act.

The following information was collected during our review of the books and records of the Sunshine Coast Wildlife Rehabilitation Centre. The balance of this letter describes the grounds for revocation.

Activities:

The objects and activities of the Charity indicate that the Charity's purpose is the care and rehabilitation of sick and injured animals. In the initial interview the director indicated that the Charity is no longer looking after sick or injured animals. The reason given was a move to a smaller property. The Charity is no longer conducting charitable activity.

Under subsection 149.1 (2) of the Act, the Minister may revoke the registration of the Charity, because it has failed as described at paragraph 168(1) (b) of the Act to comply with the requirements of the Act for its registration as such.

Benefits to Directors:

The audit revealed that two bequests were made to the charity; \$2,000 was bequeathed in 2002 and \$10,000 in 2003. The Charity has not reported the bequests as income in the year of receipt. The Director has stated the amount of \$10,000 was personally bequeathed to her. These amounts were deposited into the Charity's Bank of Montreal account and withdrawn via various cash and debit card withdrawals. As there is no record of this money being used by the Charity it will be considered taxable in the hands of the director (Joanne Dickeson), under paragraphs 6 (1) (a), 6 (1) (b) and/or 6(1)(c) of the Act and as such should have been provided to the director on a T4A slip.

Under the definitional requirements of subsection 149.1(2) and paragraph 168 (1) (b) of the Act, the Minister may revoke the registration of the Charity because of the personal benefit received by a Director from the Charity's income.

Books and Records:

Subsection 230(2) of the Act requires every registered charity to keep books and records of account at an address in Canada as recorded with the Minister. These books and records shall contain;

- Information in such form as will enable the Minister to determine whether there are any grounds for the revocation of the Charity's registration in accordance with the Act;
- A duplicate of each receipt containing prescribed information for a donation it received; and
- Other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under the Act.

The purpose of this requirement is to enable the Charity to accurately provide CRA with the information required by the Act. It also allows CRA to verify the accuracy of reported information through the conducting of audits.

The Charity was audited in 1990 and again in 2001. The books and records were an issue in both audits. The following deficiencies are still an issue:

- Expenses as recorded are unsubstantiated. The expenses are recorded from store receipts. The charitable nature of these expenses is questionable.
- The total tax receipts issued cannot be reconciled to any accounting records.
- Revenue is not recorded in a general ledger and the result is the revenue cannot be verified as correct.
- The charity bank account is used for personal expenditures of Joanne Dickeson, director. It is impossible to separate personal and charitable expenditures.
- The charity did not maintain a journal listing of donors.

- They are no controls in place that allow the auditor to verify that all cash donations received were deposited in the charity's bank account.
- Various source documents are missing.
- Meeting minutes are non-existent.
- The charity does not maintain adequate records to enable preparation or issuance of proper Statements of Remuneration (T4 or T4A).

Our review of the books and records of the Charity indicates the books and records are not acceptable under section 230. Under subsection 149.1(2) and paragraph 168(1) (e) of the Act, the Minister may revoke the registration of the Charity, because it has failed to comply with or contravened any of section of 230 to 231.5 of the *Act*.

Disbursement Quota:

Registered charities are required in each year of operation to meet or exceed a disbursement quota. This quota relates to expenditures that must be made during the year and that are of a charitable nature. In the case of a charitable organization, the Act stipulates that this minimum annual disbursement quota is equal to eighty percent of the prior year's officially receipted donations less certain types of gifts received. When a charitable organization fails to expend its disbursement quota in any taxation year, either on charitable activities carried on by it and by way of gifts made to qualified donees, the Minister may in the manner described in section 168 of the Act revoke the charitable organization's registration.

A charity is allowed by virtue of 149.1(20) to offset any shortfalls in its disbursement quota by applying any excesses in its disbursement quota from its immediately preceding taxation year and 5 or less of its immediately subsequent taxation years. In order to do so, however, the charity would have to show unequivocally that all expenditures claimed in those years were in fact charitable expenditures.

In order to determine the disbursement quota, one needs to ascertain the total donations where donation receipts were issued and also to determine the disbursements on charitable activities. In this situation, it was not possible to determine whether the Charity met the disbursement quota due to the following factors:

- The books and records of the Charity are inadequate.
- There is no complete listing for donation receipts that were issued by the Charity
- Expenditures in 2002 and 2003 contain significant personal or unsupported expenditures.

If the Charity does not meet its disbursement quota obligation as defined under subsection 149.1(1) of the Act it's charitable registration may be revoked under paragraph 149.1(2) (b) of the Act.

Information Return (Form T3010):

Pursuant to subsection 149.1(14) of the Act, 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 has not filed a T3010 since 2002.

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the Charity because it has failed to file an information return as and when required by the Act or a Regulation as described at paragraph 168 (1) (c) of the Act.

Official Donation Receipts:

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 Act and are described in some detail in Interpretation Bulletin IT-110R3 *Gifts and Official Donation Receipts*.

- There is no tracking of the donation receipts. We are unable to determine the total of the tax receipted donations.
- We also noted that the dates, addresses and signatures on some of the receipts were incomplete or missing
- The unused official donation receipts are not kept in a secure location.

Under subsection 149.1(2) and paragraph 168 (1) (d) of the Act, the Minister may revoke the registration of the Charity, because it issued a receipt for a gift or donation otherwise than in accordance with the Act.

Conclusion

For each of the reasons indicated above, it appears to us that there are grounds for revocation of the Charity'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 Act, provided it does not qualify as a non-profit organization as described in paragraph 149(1)(l) of the Act;

2. the 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
3. the possibility of a tax payable under Part V, subsection 188 of the Act.

For your reference, we have attached in Appendix "A", a copy of the relevant provisions of the 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 any reasons why the Minister should not revoke the registration of Charity 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 General of the Charities Directorate will decide whether or not to proceed with the issuance of a Notice of Intention to revoke registration of Charity in the manner described in section 168 of the Act.

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

If you have any questions or require further information, clarification, or assistance, please write to the undersigned at the address listed below or call the telephone number listed below.

Yours truly,



Joanna Saunders *JS*
Audit Division
Tax Services Office: 28 - Vancouver Island
Telephone: (250) - 715 - 2302
Fax: (250) - 363 - 3862

Cc : Tammy Leslie CGA