



Canada Revenue
Agency

Agence du revenu
du Canada

SEP 14 2007

BY REGISTERED MAIL

Whit-Tee Youth Shelter Inc.
1593 Wilson Avenue #202
Toronto, Ontario M3L 1A5

Attention: Stephen Tachie

Charity Account Number:
859185845RR0001

**SUBJECT: Notice of Intention to Revoke
Whit-Tee Youth Shelter Inc.**

Dear Mr. Tachie:

I am writing further to our letter dated May 8, 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 Whit-Tee Youth Shelter Inc. (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA").

We have reviewed the written response provided on your behalf from your authorized representative, Mr. Johnson Osei and have considered the comments within. After careful review of the representations included in the letter of June 16, 2007 (copy attached), it is our conclusion that they do not provide sufficient reasons why the Charity's status as a registered charity should not be revoked. The audit conducted by the Canada Revenue Agency (the "CRA"), had identified that the Charity failed to provide proper *Registered Charity Information Returns* (the "T3010's"), failed to maintain adequate records to support the information reported on the T3010's and failed to maintain duplicate copies of issued official donation receipts.

Official donation receipts reviewed by CRA did not comply with *Regulation 3501* of the ITA, were neither recorded nor maintained by the Charity and when asked the Charity provided two different donation lists for the audited year. The representations failed to provide specific information as to how the Charity would maintain control and accountability of the funds expended or receipts received by the Charity.

.../2

Place de Ville, Tower A,
320 Queen Street, 13th floor
Ottawa, Ontario K1A 0L9

Consequently, for each of the reasons outlined in our letter of May 8, 2007 and pursuant to the authority granted to the Minister in subsection 149.1(2) and 149.1(4.1) 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)(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(4.1) of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.

Account Number	Name
85918 5845 RR 0001	Whit-Tee Youth Shelter Inc. Toronto, Ontario

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.**

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
A/Director General
Charities Directorate

Attachments

- Administrative fairness letter dated May 8, 2007;
- Representation letter dated June 16, 2007
- Appendix "A", Relevant Provisions of the *Income Tax Act*;
- Appendix "B", Relevant Provisions of the *Excise Tax Act*;
- Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*; and
- Form T-2046, *Tax Return Where Registration of a Charity is Revoked*.



CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

REGISTERED MAIL

Whit-Tee Youth Shelter Inc.
1593 Wilson Avenue
Suite 202
Toronto, Ontario
M3L 1A5

BN: 859185845RR0001
File #:

Attention: Mr. Stephen Tachie

May 8, 2007

Subject: Audit of Whit-Tee Youth Shelter Inc.

Dear Mr. Stephen Tachie:

This letter is further to the audit of the books and records of Whit-Tee Youth Shelter Inc. (the "Charity") by the Canada Revenue Agency (the "CRA"). The audit related to the operations of the registered charity for the period from June 1, 2002 to May 31, 2004. A review the Registered Charity Information Return (the "T3010") of fiscal period ending May 31, 2005 was also performed.

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.	Books and Records	230(2)
2.	Official Donation Receipts	Regulation 3501, 168(1)(d)
3.	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:

Books and Records

Section 230(2) of the ITA 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 CRA with the information required by the ITA as well as enables them to verify the accuracy of reported information through the conduct of audits.

In addition to the retention of copies of the donation receipts that section 230(2) explicitly requires, 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."

The Charity provided minimal books and records and the records that were provided were considered to be inadequate. As a result, the auditor was unable to confirm revenue and expenditures as recorded or to confirm the charitable nature of expenditures as reported in the T3010.

It was revealed during the audit that the Charity failed to maintain adequate records to support the donation income reported and official donation receipts issued.

We found during the audit that the Charity's stated expenditures and revenues were not accurately recorded and lacked proper documentation. Expenditure vouchers and receipts provided did not correspond with the amounts on the financial statements, and no working papers or disbursement journals existed to assist in verifying the accuracy of the amounts provided.

The Charity reported \$45,157 in expenditures for the 2002 year end, but did not provide any invoices or documentation to support the expenditures. For the 2003 year end, we have total reported expenditures of \$48,690. The expense receipts provided totalled approximately \$3,764 while the bank statements and cancelled cheques showed expenses of \$15,286 for a total of \$19,050 a difference of \$26,107 from the amount reported by the Charity. It should be noted that some of the invoices were paid by cheque.

Financial control over donation revenues was mostly absent, as the Charity, did not use bank accounts to safeguard funds received until sometime in March of 2003. Neither a bank deposit book nor revenue journal was used to record donations received by the Charity. Total deposits from the 2003 year end bank statements provided (January, February and December statements were not provided) totalled \$19,953, while total donation receipts totalled \$48,740; a difference of \$28,787.

Copies of all donation receipts were neither recorded nor maintained for the years under audit. The Charity provided a donation list and receipt copies for the 2002 year totalling \$16,607. The receipts were numbered from 1 to 4 inclusive. The total receipted donations reported by the Charity for 2002 was \$46,409, a difference of \$29,802. Two additional receipt copies for the 2002 year were received from Sudbury; receipt #'s 47 and 48 totalling \$11,124. This increased the likelihood that there were more unreported receipts and that proper control and recording of receipts was lacking.

A similar situation existed for the 2003 donation receipts. The Charity initially provided a list of receipts numbered from 1 to 7 inclusive totalling \$21,591; subsequently, donation receipt copies numbered 5 through 11 inclusive were received. Although the receipt numbers did not correspond between the listing and the actual receipts, the names and amounts corresponded to the total of \$21,591 did not correspond with the amount of \$48,740 as reported on the Charity's return. \$21,591. As well, there were 17 additional receipts received from our Sudbury office that were not provided by the Charity. These receipts totalled \$103,695 with the receipts numbering from 1 to 198 inclusive. Again this indicates the possibility of additional unreported receipts issued by the Charity.

Official Donation Receipts

A gift for purposes of sections 110.1 and 118.1 is a voluntary transfer of property without valuable consideration. Generally a gift is made if all three of the conditions listed below are satisfied:

- (a) some property-usually cash-is transferred by a donor to a registered charity.
- (b) the transfer is voluntary; and
- (c) the transfer is made without expectation of return. No benefit of any kind may be provided to the donor or to anyone designated by the donor, except where the benefit is a nominal value.

Furthermore, a gift in kind is a transfer of non-cash property such as capital property, depreciable property, personal use property including listed personal property, a leasehold interest, a residual interest, a right of any kind whatever, a license, a share, or inventory of business. A gift in kind, however, does not include a gift of services.

The Charity provided two sets of donation lists for the 2002/2003 years for gifts in kind and cash gifts. The 2002 donation list showed receipts being issued for three drivers, while the 2003 donation list showed one driver being issued a receipt. As well two of the 2003 donors were issued receipts for being teachers. The only allowable receipt for gifts in kind would have been for the second donor on the 2002 list for the donation of groceries.

The donation receipt for the eligible gift in kind did not comply as per content with Regulation 3501 (1) and specifically (e.1), where the donation is a gift of property other than cash, the day the gift must be shown, a brief description of the property and if an appraisal is done, the appraisal information should be attached to the receipt.

The receipts provided for gifts in kind did not indicate that they were for property other than cash nor did they indicate the date on which the property was donated to the Charity.

Incorrectly filed T3010

As per the records provided, the expenditures for the 2002/2003 were overstated on the charity's T3010 return. The amount of \$45,157 for the 2002 year could not be verified due to the lack of bank records and expense vouchers. The reported 2003 expenditure amount of \$48,690 was also overstated, but was partially supported by partial bank records and expense receipts totalling approximately \$19,050.

Revenue was also incorrectly reported as per the information provided by the charity. Donations were recorded on the T3010 for 2002 as \$46,049 while the donation receipts provided totalled \$16,607. The T3010 for 2003 reported an amount of \$48,740 for donations receipted while the actual amount of receipts provided totalled only \$21,591.

The charity was not able to support any of the amounts reported on the T3010 charity report or the financial statements due to lack of proper record keeping as evidenced by the above examples.

Conclusion:

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 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 that individual to discuss your file with us.

If you have any questions or require further information, please do not hesitate to contact me at the numbers indicated below.

Yours truly,

N. Swietlinski
Audit Division

Telephone: (416) 410-9407

Fax: (416) 954-6015

Address: 1 Front Street West, Suite 100
Toronto ON M5J 2X6

Internet: : www.cra-arc.gc.ca/charities/

Enclosure:

-Appendix "1", Relevant provisions of the Income Tax Act