

during the 24 months before the beginning of the fiscal year exceeds \$25,000, the foundation's disbursement quota is 3.5% of the average value of that property. This average value of property is based on a specified number of periods (decided by the charity) over a 24-month span. A charity is allowed by virtue of 149.1(20) of the Act to offset any shortfalls in meeting its disbursement quota by applying any unapplied disbursement excesses from the previous 5 taxation years or its immediately subsequent taxation year.

For purposes of calculating the disbursement quota, property includes any real estate, investments or other assets that were not used directly in charitable activities or administration. In considering the application of expenditures used to meet the disbursement quota, a charity must ensure that it is expensed directly on charitable activities and/or programs. This would include such payments as salaries to persons performing duties directly related to a charitable program, but would not include amounts paid for purely administrative expenses such as fund-raising costs, legal or accounting fees and the like.

Audit Findings:

Our review of the Organization's expenses found that it did not expend any funds on charitable activities for its fiscal periods ending November 30, 2016, through 2019 and only made one gift during that same period to a qualified donee of \$5,000 (in 2018). During this time, the Organization held millions of dollars in assets. As a result, the Organization failed to meet its disbursement quota for its fiscal years ending November 30, 2016, 2017, and 2018. Attached to this letter is Appendix "A" which details our calculation of the Organization's disbursement quota shortfalls for each of these fiscal periods as being \$1,548,482 for the 2016 fiscal period, \$1,728,613 for 2017 and \$1,809,648 for 2018. In our view, these are significant shortfalls and demonstrate non-compliance of a serious nature. As a result, the Organization should be subject to the revocation of its charitable registration pursuant to paragraph 149.1(4)(b) and paragraph 168(1)(b).

**Books and Records**

Legislation:

Subsection 230(2) of the Act requires that every registered charity maintain adequate books and records, and books of account, at an address in Canada recorded with the Minister. In addition to retaining copies of donation receipts, as explicitly required by subsection 230(2), subsection 230(4) provides that "Every person required by this section to keep records and 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



**Appendix A**  
Loyalty Foundation  
Disbursement Quota Calculations

Year	Total Assets Year 1	Total Assets Year 2	Average	Disbursement Quota	Charitable Expenses	Shortfall
2016	40,413,256	48,071,448	44,242,352	1,548,482	-	1,548,482
2017	48,071,448	50,706,438	49,388,943	1,728,613	-	1,728,613
2018	50,706,438	52,987,747	51,847,093	1,814,648	5,000	1,809,648