

decision with regards to the Organization. As [REDACTED] and the Organization are separate persons as defined in the Income Tax Act¹, any (re)assessment on one does not bear any weight on the potential (re)assessments of the other.

Failure to be constituted and operated for exclusively charitable purposes

The audit identified two non-qualified investments in the form of loans to Carrera Management Corporation (“Carrera”) and to Kerfoot WFC Holdings Ltd (“WFC”). During our review, it was noted that interest had not been collected on the Carrera loan and it was collected every few years on the WFC loan. Because the interest was not regularly collected within the timeframe stated in paragraph 189(1)(b) of the Act, the uncollected interest income was made available to and benefited parties that do not deal the Organization at arm’s length.

Organization’s Response

The initial response provided indicated that all accrued interest up to April 30, 2021, on both loans have been fully collected. Moving forward, all interest due from Carrera and WFC will be collected on a quarterly basis.

The second response indicated that the loan documents were reviewed by the previous auditor during the previous audit of the Organization from 2003 to 2009. After the review, the Organization was provided a letter stating it was in full compliance with its legislative and common law requirements.

Our Response

Regarding the initial response, although accrued interest up to April 30, 2021, has been collected, it does not negate the fact that interest was never collected from the inception of the Carrera loan in 2011 until it was noted in our administrative fairness letter dated May 12, 2021. Likewise, the steps taken does not negate the fact that interest accrued on the WFC loan was only collected every three years.

Regarding the second response, although the loan documentation was reviewed by the previous auditor, the letter that was issued only pertained to the period of 2003 to 2009, as indicated by the subject line of the letter. As a result, the statement that the Organization was in compliance only applied to the period of 2003 to 2009.

As such, neither the steps taken, nor the argument that the loans were previously reviewed change our position that unacceptable private benefits have been conferred upon two non-arm’s length parties with regard to the outstanding loan balances amounting to over \$42 million and interest receivable of over \$4 million, and the

Organization has not been operating exclusively for charitable purposes as required by the definition of a charitable foundation in subsection 149.1(1) of the Act. As a result, the

¹ Unless otherwise stated, all references to a statute herein are the *Income Tax Act* (Canada), R.S.C.1985 (5th sup.), c.1, as amended (the “Act”)