



News release

The Canada Revenue Agency revokes the registration of Pediatric AIDS Canada/USA as a charity

Ottawa, Ontario, February 18, 2011. . . The Canada Revenue Agency (CRA) will revoke the charitable registration of Pediatric AIDS Canada/USA, a Kitchener area charity. The notice of revocation will be published in the *Canada Gazette* with an effective date of February 19, 2011.

On January 5, 2011, the CRA issued a notice of intention to revoke the charitable registration of Pediatric AIDS Canada/USA, in accordance with subsection 168(1) of the *Income Tax Act*. The letter stated, in part, that:

The audit of Pediatric AIDS Canada/USA (the Organization) has revealed serious issues of non-compliance. In particular, the Canada Revenue Agency (CRA) found that the Organization devoted the majority of its resources to fundraising and administrative expenses rather than on charitable activities. Further, the Organization has participated in an international donation arrangement designed to disguise this lack of activity by artificially inflating the ratio of funds spent on charitable activities.

The Organization received \$5.06 million in cash donations. Of this amount \$3.26 million was directed to fundraising and administrative fees while only \$1.8 million was spent on its own charitable activities.

Further, as part of the international donation arrangement, the Organization paid \$877,000 to allegedly acquire property with a purported value of \$15.5 million. The Organization then reported distributing this property as part of its own activities. However, the Organization's records fail to substantiate the value of the property purportedly received, whether it was ever in its possession, or whether the property was ever distributed. As above, it is our view that the purpose of participating in this international donation arrangement was to artificially inflate its expenditures on charitable activities.

The notice of intention to revoke and other letters relating to the grounds for revocation are available to the public on request by calling **1-800-267-2384**.

A charity that has had its charitable status revoked can no longer issue donation receipts for income tax purposes and is no longer a qualified donee under the *Income Tax Act*. The organization is no longer exempt from income tax, unless it qualifies as a non-profit organization, and it may be subject to a tax equal to the full value of its remaining assets.

Registered charities have an obligation under the *Income Tax Act* to devote their resources to charitable programs. The CRA recognizes that charities may incur reasonable administrative and fundraising expenditures in pursuit of their charitable programs. However, when fundraising becomes a focus disproportionate to pursuing charitable programs or when fundraising expenditures become unreasonable or unacceptable, charities may face consequences which could include monetary penalties, the suspension of tax-receipting privileges and/or the revocation of registered charitable status.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

While most registered charities operate in a manner consistent with the law, in cases of excessive fundraising the CRA will continue to take appropriate action. These situations are addressed on a case-by-case basis. The CRA is also committed to broader sector education, for example the CRA issued guidance on fundraising by registered charities to assist charities in understanding CRA's expectations on fundraising activities and expenditures.

For more information about the registration of Canadian charities, go to the CRA's Charities and Giving Web page at www.cra.gc.ca/charities.

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