

CANADA
Province of Ontario
Court No: 32-2826466
Estate No: 32-2826466

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF INSPIRE FUNDRAISING SOLUTIONS INC. OF THE CITY OF BURLINGTON IN THE PROVINCE OF ONTARIO

Licensed Insolvency Trustee (“**Trustee**”): MNP Ltd.

*The information contained in this Preliminary Report (the “**Report**”) has been prepared from the available books and records of the Company (as such term is later defined) and discussions with the Management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.*

SECTION A – BACKGROUND

Inspire Fundraising Solutions Inc. (“**Inspire**” or the “**Company**”) was incorporated in 2008 and operated as a telemarketing agency specializing in raising funds for charities.

Due to unforeseen circumstances, Inspire accumulated some debt with the Canada Revenue Agency (“**CRA**”) in its early years. Although the Company grew over the years, this growth did not permit it to discharge all of its financial obligations, including its obligations to CRA. Over time, Inspire entered into various payment arrangements with CRA and repaid its Harmonized Sales Tax (“**HST**”) debt and met its ongoing source deductions and HST obligations. Inspire was cognizant, however, that additional growth was required for it to be in a position to fully discharge its remaining obligation to CRA. Part of that growth plan involved opening an office in Burlington, Ontario. The Company entered into a seven (7) year lease agreement regarding suite 401, 1100 Burloak Drive, Burlington, Ontario, dated June 7, 2018 (the “**Lease**”).

Soon after entering into the Lease and before the Company could realize the desired growth, the COVID-19 pandemic started, adversely impacting the Company’s ability to sustain its business while addressing its arrears to CRA. Unable to use the office space to maintain, let alone grow its business, Inspire fell into arrears on its obligations under the Lease. The Company’s ability to grow was also hampered by staff shortages in the labour market.

After assessing its financial position and considering the lingering impact of the COVID-19 pandemic on the business, on May 2, 2022 (“**Date of Bankruptcy**”), Inspire filed an assignment in bankruptcy wherein MNP Ltd. (“**MNP**” or the “**Trustee**”) was appointed as Licensed Insolvency Trustee, subject to affirmation at the First Meeting of Creditors (“**FMOC**”).

On May 5, 2022, the Notice to Creditors advising of the bankruptcy and the FMOC, a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the *Bankruptcy and Insolvency Act* (“**BIA**”), the Notice of Bankruptcy was published in the *Brantford Expositor* newspaper on May 5, 2022.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

As set out in Inspire’s statement of affairs (“**SOA**”), Inspire’s assets are subject to a deemed trust claim in favour of CRA in respect of unpaid source deductions (see Section E below).

Inspire’s assets and their estimated realizable value, according to its SOA are summarized below:

Cash in bank

Inspire banked at the Toronto Dominion Bank (“**TD**” or the “**Bank**”) and based on the SOA had cash totaling approximately \$5,017 in two bank accounts (the “**Accounts**”), on deposit on the Date of Bankruptcy. On May 3, 2022, the Trustee advised TD of Inspire’s bankruptcy and requested that it freeze the Accounts but permit incoming deposits only. On May 9, 2022, the Bank confirmed that the Accounts were frozen.

On May 19, 2022, TD’s Insolvency Unit reconfirmed that the Accounts were frozen with an aggregate balance of approximately \$4,984. The TD Insolvency Unit confirmed that it is remitting the funds in the Accounts to the Trustee.

Office Furniture and Trade Fixtures

The SOA estimates the realizable value of the Company’s office furniture and trade fixtures (the “**Equipment**”) at \$13,520. The Trustee is carrying out further investigation into the value of the Equipment.

Accounts Receivable

Inspire’s books and records reflect accounts receivable totaling approximately \$88,066.

SECTION C – BOOKS AND RECORDS

MNP has taken possession and control of certain books and records it considers necessary to administer Inspire’s bankruptcy.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

As noted above, the Trustee froze the Accounts.

SECTION E – PROVABLE CLAIMS

The claims of creditors as per the SOA and the claims filed as at 5:00 p.m. on May 19, 2022, are summarized below:

	<u>SOA</u>	<u>Claims as Filed</u>
Secured	\$106,603	Nil
Preferred	Nil	Nil
Unsecured	\$2,075,400	\$7,500
Contingent	Nil	Nil
	<hr/> \$2,182,003 <hr/>	<hr/> \$7,500 <hr/>

Based on the SOA, Inspire owes CRA \$857,000 on account of unpaid source deductions, a portion of which will represent a deemed trust claim ranking in priority to other creditors. On May 5, 2022, the Trustee sent a letter to CRA to see if CRA was willing to enter into an administrative agreement with the Trustee. By entering into an administrative agreement, CRA agrees to a limited postponement of its deemed trust claim to be applied towards the administrative fees and expenses related to the bankruptcy. CRA has yet to respond to the Trustee's May 5th letter.

The Trustee had not determined the admissibility of the above noted claims for dividend purposes.

SECTION F- LEGAL PROCEEDINGS, TRANSFERS AT UNDER-VALUE AND PREFERENCE PAYMENTS

Legal Proceedings

The Trustee has not commenced any legal proceedings.

Transfers at Under-Value and Preference Payments

The Trustee is in the process of obtaining the Company's books and records in order to complete its review for any potential transfers at undervalue or preference payments. The scope of the review will be limited to a review of certain disbursements made in the 12 months preceding the Date of Bankruptcy and inquiries with management.

The Trustee will discuss any matters which require attention of the creditors and any findings with the Inspector(s), if appointed at the FMOOC.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

Given the foregoing and the SOA, any recovery from the Accounts, Inspire's accounts receivables, and the Equipment are subject to CRA's deemed trust claim. Accordingly, the Trustee does not anticipate there being any funds available for distribution to the Company's unsecured creditors.

SECTION H – OTHER MATTERS

Third Party Deposit

Following the Bankruptcy Date, MNP received a deposit from Nada Hadyeh in the amount of \$2,500. An additional deposit of \$2,500 is expected from Nada Hadyeh.

WEPP

The Trustee is in the process of administering the Wage Earner Protection Program (“WEPP”). Based on the Company's records, the WEPP is in respect of one employee owed termination pay.

Dated at Toronto, Ontario this 20th day of May, 2022.

MNP LTD.

***Trustee of Inspire Fundraising
Solutions Inc., a bankrupt
and not in its personal or corporate capacity***

Per:



Sheldon Title, CPA, CA, CIRP, LIT
Senior Vice President