



OCT 17 2007

BY REGISTERED MAIL

Christ Salvation Church of God Ministries Canada
Incorporated
415 Kipling Avenue
Toronto, Ontario, M8V 3K8

Attention: Mr. Lucky Obaseki

Charity Number:
85553 4541RR0001

**SUBJECT: Notice of Intention to Revoke
Christ Salvation Church of God Ministries Canada Incorporated**

Dear Mr. Obaseki:

I am writing further to our letter dated June 28, 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 Christ Salvation Church of God Ministries Canada Incorporated (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA").

After careful review of the representations included in your letter of July 27, 2007, it is our conclusion that sufficient reasons have not been provided as to why the Charity's status as a registered charity should not be revoked. The Charity issued official donation receipts in contravention of the ITA and failed to demonstrate it maintained adequate records to support the income and expenditures reported.

Consequently, for each of the reasons mentioned in our letter of June 28, 2007, I wish to advise you that, 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
85553 4541 RR 0001

Name
Christ Salvation Church of God Ministries Canada
Incorporated
Toronto, Ontario

.../2

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.**

Additionally, by virtue of section 188 of the ITA, the Charity will be required to pay a tax within one year from the date of the Notice of Intention to Revoke the Charity's registration. This revocation tax is calculated on prescribed form T-2046 "*Tax Return Where Registration of a Charity is Revoked*". The return must be filed and the tax must be paid on or before the day that is one year from the date of the Notice of Intention to Revoke a charity's registration. For your reference, I have attached a copy of the relevant provisions of the ITA in Appendix "A" concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation. Form T-2046, along with the related Guide RC-4424, "*Completing the Tax Return Where Registration of a Charity is Revoked*", are also attached for your information.

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

- Our letter dated June 28, 2007;
- Your letter dated July 27, 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*.



REGISTERED MAIL

June 28, 2007

Christ Salvation Church of God Ministries Canada Incorporated
415 Kipling Avenue.
Etobicoke, ON M8V 3K8

Attention: Mr. Lucky Obaseki

Dear Mr. Obaseki:

Subject: Audit of Christ Salvation Church of God Ministries Incorporated
BN #: 8555534541RR0001
File #: 3027545

This letter is further to the audit of the books and records of Christ Salvation Church of God Ministries Incorporated (the "Charity") by the Canada Revenue Agency (the "CRA"). The audit related to the operations of the registered charity for the period from January 1, 2004 to December 31, 2004.

At our meeting of May 7, 2007 with Mr. Harry Odia, the chairman of the Charity's board of directors, he was advised that the CRA has identified specific areas of non-compliance with the provisions of the *Income Tax Act* (the "ITA") or its *Regulations* in the following areas:

AREAS OF NON-COMPLIANCE:		
	Issue	Reference
1.	Payments made to Nigeria totalling CDN\$549,850. No agreements were in place to govern the use of the funds in Nigeria. No status reports were obtained from parties in Nigeria.	RC 4106
2.	Official Donation Receipts did not comply with the Income Tax Act of Canada.	IT 110-R3 IT-297R2 Reg. 3501
3.	Payments were made to visiting pastors totalling \$210,000. No T4s or T4A's were issued for these payments.	ITA 153(1) Reg. 200 (1)
4.	Books and records were poorly maintained.	IC-78-10R3 ITA 230 ITA 231.5

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:

a) **Payments to Nigeria**

It appears that the Charity does not maintain adequate documentation to support the expenditure of its funds on its overseas missionary activities. During the audit, it was discovered that:-

- a) In 2004, cash totaling CDN\$464,850 was transferred to Nigeria using AVI Transfers Inc. The recipient in every case was [REDACTED]. No documentation was provided to support the Charity's claim that these amounts were spent on charitable activities in Nigeria. In addition, during a meeting with Mr. Harry Odia on Thursday January 18, 2007 he was asked to state the relationship between Ms. [REDACTED] and the Charity. His response was that "she was someone in Nigeria who carried out projects on behalf of the Charity." He stated, "there were no official agreements between the Charity and Ms. [REDACTED]." When asked how follow-up was done, his response was that "from time to time, someone from the Canadian church would visit Nigeria and during the visits he/she would question alleged recipients of the funds in order to determine how the funds were spent."
- b) Payment vouchers were reviewed for 2004 showing payments made to overseas pastors totaling CDN\$85,000. Per the records, these payments represented training allowances. No evidence was provided to support the claim that these individuals were in any way associated with the Charity, or that they had actually received these funds, or that they were in fact being trained, or that the training pertained in any way to the objects of this Charity. Further, during our meeting with Mr. Harry Odia on January 18, 2007, he was asked to state how the recipients of these funds were determined. His response was that the recipients were chosen "*based on the pastor's word.*"

Where a charity transfers funds to an individual (such as a missionary or field agent) it will meet the Income Tax Act's requirements if the relationship between the charity and the individual is that of an employer/employee. Where this relationship does not exist, the charity must be able to substantiate, by documentary evidence, that it has arranged for the conduct of activities on its behalf and not simply made a gift to the individual.

The requirement in the Act is not met where a charitable organization transfers funds to individuals without a formally established arrangement (contract) under which those individuals are legally obliged to carry out certain specified activities on the charity's behalf. In other words, if the charitable organization does not actually direct the actions of the individuals to whom it is transferring funds, and has little, if any, control over or accountability for the application of those funds, then it is not possible to view the activities performed by the individuals to be the charity's activities.

The Agency recognizes that a charity may wish to fund the programs and activities of an individual who is involved in work which the charity wishes to see accomplished because it is in line with the charity's own charitable objectives. However, it is not possible given the requirements of the Income Tax Act, for a charity to transfer funds it receives and receipts merely on the basis that the individual receiving its monies will devote those resources to efforts that are bona fide and in line with the charity's own objectives.

These same restrictions apply when the recipient of the charity's funds is another organization (for example, a foreign charity, a foreign government, or an international aid agency) unless such a recipient organization is a "qualified donee".

As per the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, amounts greater than \$10,000 entering or leaving Canada should be reported to the Canada Border Services Agency. No evidence was provided to indicate that this had been done.

b) Official Donation Receipts

Regulation 3501 of the Act provides various requirements of official donation receipts issued by registered charities. The following are the requirements:

Every official receipt issued by a registered organization shall contain a statement that it is an official receipt for income tax purposes and shall show clearly in such a manner that it cannot readily be altered,

(a) the name and address in Canada of the organization as recorded with the Minister;

(b) the registration number assigned by the Minister to the organization;

(c) the serial number of the receipt;

(d) the place or locality where the receipt was issued;

(e) where the donation is a cash donation, the day on which or the year during which the donation was received;

(e.1) where the donation is a gift of property other than cash

(i) the day on which the donation was received,

(ii) a brief description of the property, and

(iii) the name and address of the appraiser of the property if an appraisal is done;

(f) the day on which the receipt was issued where that day differs from the day referred to in paragraph (e) or (e.1);

(g) the name and address of the donor including, in the case of an individual, his first name and initial;

(h) the amount that is

(i) the amount of a cash donation, or

(ii) where the donation is a gift of property other than cash, the amount that is the fair market value of the property at the time that the gift was made; and

(i) the signature, as provided in subsection (2) or (3), of a responsible individual who has been authorized by the organization to acknowledge donations.

The official donation receipts of the Charity did not comply with Regulation 3501 of the Income Tax Act of Canada for the following reasons:-

- a) Per the records, during 2004, receipts were issued from #1 to # 950. Of these receipts, none stated the addresses of the donors. Consequently, the Agency was unable to determine whether these donors actually exist.

- b) Per the records, tax-receipted gifts included gifts in kind totalling \$2,547,932.00. No documentation was provided indicating who the donors were and none of the receipts indicated that the gift was non-cash. In addition, it could not be verified how the fair market value was determined, as no independent appraisal was provided showing the value of these gifts.

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the registered charity in the manner as described at paragraph 168(1)(d) of the Act because the registered charity has issued a receipt for a gift or donation otherwise than in accordance with the Act and the regulations or that contains false information.

c) Payments to Visiting Pastors

The records revealed that amounts totaling CDN\$210,000 were paid as allowances to visiting pastors. No T4 or T4A Information Slips were issued to any of these recipients. When the issue was discussed with Mr. Harry Odia in a meeting on May 7, 2007, his response was that the Board of Directors was not aware that persons who do not reside in Canada should be issued information slips for monies received, such as honorariums. No cancelled cheques were available for our review, as all amounts were paid in cash.

Pursuant to Section 153(1) of the Act, every person paying a salary or wages or other remuneration shall deduct or withhold therefrom such amount as may be determined in accordance with prescribed rules and at such time as may be prescribed, remit that amount to the Receiver General of Canada. Regulation 200(1) further requires that the person prepare Information Returns such as T4's at the end of the year.

Should you require more information on the preparation of T4s, T4A's or similar information slips, please contact your local district office of the CRA.

d) Books and Records

The books and records were incomplete and our audit revealed the following:-

- a) The amounts receipted could not be reconciled to the Bank accounts. Per the books and records provided for 2004, amounts totalling \$7,749 were credited to account number [REDACTED] held at TD Bank, 1746 Jane Street near Lawrence Avenue ([REDACTED]). In addition, amounts totalling \$178,504.12 were credited to account number [REDACTED] held at the same bank and branch. These two amounts totalled \$186,253.12.

On the T3010 for 2004, tax-receipted gifts were reported on line 4500 as \$3,896,653. Consequently, there is still an outstanding amount of \$3,710,399, which could not be reconciled per table below: -

SUMMARY	
Total credits from account number [REDACTED]	\$ 7,749.00
Total credits from account number [REDACTED]	\$178,504.12
Total deposited to bank accounts	\$186,253.12
Total eligible tax-receipted gifts per line 4500 of T3010	\$3,896,653.00
Less: Total deposited into both bank accounts (shown above)	(\$ 186,253.12)
Unreconciled	\$3,710,399.88

Of the unreconciled amount, shown above, \$2,547,932 was reported to be gifts in kind. However, no documentation was provided to support these amounts. You provided to us a list only, showing the description of the items, the number of items and the cost of each item. You did not provide us with any information pertaining to the donors.

Further, to date, you have not provided us with any information describing how these items were actually used in carrying out charitable activities. For example, item #14 – Bowflex Tread Climbers 5000 – 22 at \$2,199 each for a total donation of \$48,378 and item #17 – Egyptian Cotton Satin Sheet Sets 800 thread 45 at \$299 each for a total donation of \$13,455 and item #67 – HP Network Laser Printers 4 Series 566 at \$400 each for a total donation of \$226,400. Another example is item # 21, Wasauna Luxury 6 Jet Shower Panels – 33 at \$699 each for a total donation of \$23,067.

- b) There was evidence of lack of control over the issuance of receipts. Several receipt books were missing and in many cases, the blank receipts were pre-signed by the Financial Secretary and the Treasurer.

The missing receipt books contained the following numbers: -

- 195 – 200
- 251 – 300
- 351 – 500
- 551 – 600
- 651 – 700

The following blank receipts were all pre-signed by the secretary/treasurer:

0049, 0050, 0145 – 0150, 0932, 0937 – 0950

- c) The following items were listed as expenses on the Income Statement for 2004. However, no documentation was provided to support these claims:

i. Donated supplies and assets for the year	\$3,018,392
ii. Church Building Expenses	\$ 152,273
iii. Church supplies & furnishings	\$ 57,835
iv. Delivery & courier	\$ 21,846
v. Education and Training for staff & volunteers	\$ 22,778
vi. Repayments of borrowed monies	\$ 55,600
vii. Meals and Entertainment	\$ 32,648

viii. Office Supplies and Expenses	\$	13,443
ix. Rent and Occupancy Costs	\$	22,157
x. Repairs and Maintenance	\$	18,457
xi. Travel and Accommodation	\$	27,649

d) The following items were listed on the Balance Sheet for 2004, however, no documentation was provided during our review to support these items: -

i. Amounts owing to non arm's length parties	\$	75,000
ii. Other Liabilities	\$	25,770
iii. Furniture and Equipment	\$	45,760

e) During a meeting on May 7, 2007, Mr. Harry Odia stated that there was a mortgage on the church building situated at 415 Kipling Avenue, Etobicoke, Ontario, M8V 3K8. To date, no mortgage documents have been provided to us for our review.

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 or clarification, please do not hesitate to contact me at the numbers indicated below.

Yours sincerely,



Pauline Coombs
Tax Auditor
Audit Division
Toronto Centre TSO
Telephone: (416) 410-5749
Fax: (416) 954-6015

cc: Mr. Harry Odia, Chairman of the Board of Directors,
Christ Salvation Church of God Ministries