



April 20, 2007

BY REGISTERED MAIL

Great Lakes Gospel Assembly
3151 Lauzon Rd.
Windsor, Ontario N8T 2Z7

Attention: Mr. Roger Lord, Trustee

BN: 87179 1547 RR 0001

**SUBJECT: Notice of Intention to Revoke
Great Lakes Gospel Assembly**

Dear Mr. Lord:

I am writing further to our letter dated November 8, 2006 (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 Great Lakes Gospel Assembly (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA"). Subsequent discussions with yourself and trustee Andrew Martin resulted in the Charity conceding to our revocation.

Consequently, for each of the reasons mentioned in our letter dated November 8, 2006, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) 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) 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(2)(b) of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.

.../2

Business Number
87179 1547 RR 0001

Name
Great Lakes Gospel Assembly
Windsor, Ontario

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
Canada Revenue Agency
25 Nicholas Street
Ottawa, ON K1A 0L5

Consequences of a Revocation

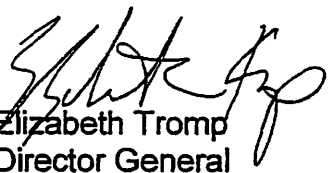
As of the date of revocation, which is the date upon which the above-noted notice is published in the *Canada Gazette*, the Charity will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts.**

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 also attached in Appendix "B" for your information. 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,



Elizabeth Tromp
Director General
Charities Directorate

Attachments

- Our letter dated November 8, 2006
- Appendix "A", Relevant Provisions of the *Income Tax Act*;
- Appendix "B", Relevant Provisions of the *Excise Tax Act*;
- Form T-2046, *Tax Return Where Registration of a Charity is Revoked*;
- Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*.



Canada Revenue
Agency

Agence du revenu
du Canada

REGISTERED MAIL

Great Lakes Gospel Assembly
C/o Roger Lord
3151 Lauzon Rd.
Windsor, ON
N8T 2Z7

Your file / Votre référence

Our file / Notre référence
871791547RR0001

November 8, 2006

Dear Sir:

Re: 2005 and 2004 Registered Charity Information Returns

This letter is further to an audit of the books and records of account of Great Lakes Gospel Assembly (the "Organization"). The audit related to the operations of the Organization for its fiscal period April 30, 2005.

The audit has raised concerns about the Organization's compliance with certain provisions of the *Income Tax Act* (the *Act*). For a registered charity to retain its registration, it must comply with the provisions of the *Act*. If a particular registered charity does not comply with these provisions, the Minister may revoke the charity's registration in the manner described in subsection 168(2) of the *Act*. The balance of this letter describes the Canada Revenue Agency's (the "CRA") concerns.

Definition of a Charitable Organization

The definition of a charitable organization is defined in subsection 149.1(1) of the *Act*. Three fundamental aspects of the definition of a charitable organization are that all the organization's resources must be devoted to charitable activities carried on by the organization itself, that no part of the income is paid to or available for the personal benefit of any proprietor, member, shareholder, trustee or settler thereof; and that more than 50% of the directors, trustees etc. must be at arm's length.

Activities Outside Canada and Gifts to Non-Qualified Donees:

Legislation:

The Act permits a registered charity to carry out its charitable purposes both inside and outside Canada, in only two ways:

- It can make gifts to other organizations that on the list of qualified donees set out in the Act. Qualified donees include Canadian registered charities, certain universities outside Canada, the United Nations and its agencies and a few foreign charities.
- It can carry on its own activities. In contrast to the relatively passive transfer of money or other resources involved in making gifts to qualified donees, carrying on one's own activities implies

that the Canadian charity is an active and controlling participant in a program or project that directly achieves a charitable purpose.

In order to give meaning and effect to the Act, a charity must continue to meet all of its obligations whether the activities are undertaken directly, through agency agreements or through any other arrangements. While we have never insisted on the absolute need for a written instrument, we recommend it as a means of meeting the requirements of the Act. Notwithstanding the manner by which a charity chooses to meet its obligations, it must provide documentation or other tangible evidence to substantiate that it met the requirements of the Act with respect to the direction and control of its resources.

Since the Act requires a charity to show that it effectively directs and actually controls its own activities, the agency agreement that a charity puts in place and the manner that the charity implements that agreement must allow the charity to discharge its statutory obligations.

From time to time the Charities Directorate has suggested certain guidelines for agency agreements in order to help charities understand all the requirements of the Act. For a number of years, we discussed these guidelines with individual charities on a case-by-case basis. As we identified a growing need in the charities sector for more information on this subject, guidelines have been made available to the public and the sector as a whole through our Internet site.

By observing these guidelines and by keeping proper books and records, a charity should be able to discharge its evidentiary burden of establishing that its principal-agent relationship existed in fact, and that it maintained effective direction and actual control over its resources at all times. In the final analysis, the true test of whether a charity was responsible in a direct, effectual, and constant manner over its resources and activities is not shown by how well it has crafted an agreement but rather, how well it has implemented it through time. Therefore, it is incumbent upon the charity to show that it has properly implemented any agreement it claims is in place.

The existence of either a written or verbal agency agreement is only one example of evidence required to show that a sufficient principal-agent relationship truly exists. The charity through documented evidence, must demonstrate that actual events transpired which prove the continued existence of the principal-agent relationship. Thus, the charity must provide the CRA with a means of examining the internal decision making mechanisms within the charity's own structure through records, such as: minutes of board meetings; internal communications (i.e., memoranda); as well as, policies and procedures that show that the charity, by directing and controlling each of its activities, acted as the guiding-mind in the principal-agent relationship. In addition, the charity must provide source documentation, reports, and the various other instruments it received from its agent showing that throughout the life of the principal-agent relationship, the agent reported back to the principal in such a manner and frequency as to allow the principal to make informed decisions about the resources and projects for which the principal was responsible.

It is the CRA's view that this type of reporting mechanism is necessary for the charity to clearly demonstrate that it maintains an adequate level of control and accountability over the use of its funds. These reports would have to be kept with the charity's other records and books or account at the address recorded with the CRA.

For purposes of the Act, when a registered charity merely transfers its resources to another entity that is a non-qualified donee, but fails to maintain effective direction and actual control over those resources,

the result is the same as a gift to a non-qualified donee. Allowing a non-qualified donee to take near total control of the resources of a registered charity nullifies the purpose and intent of the Act.

Where an agreement exists only in verbal form, or where some of the elements outlined in the aforementioned guidelines are not explicitly expounded in a written agreement, the CRA will look at all supporting documentation as well as the conduct of both parties to ascertain whether or not the registered Canadian charity maintained effective direction and actual control through its relationship with the other organization. The registered Canadian charity must not only show that an appropriate agreement existed (written or otherwise), it must also show that the agreement was implemented in a manner that clearly demonstrates that the registered Canadian charity exercised direct, effectual, and constant responsibility for undertaking the charitable activities to which its resources were applied. In effect, the registered Canadian charity must show that it acted as the principal through the implementation of the agreement.

Audit Findings:

The audit has raised serious concerns with respect to the Charity's foreign activities. According to the audit, the Charity has not demonstrated adequate direction and control over its foreign activities and has made a gift to a non-qualified donee.

The audit revealed that the organization has made a monetary gift of \$50,000 to [REDACTED] [REDACTED] which is a non-qualified donee. The agency agreement was not sufficient to demonstrate that the Charity maintains an adequate level of control and accountability over the use of its funds.

The audit revealed certain deficiencies, as there is little evidence to show that the Charity had any pertinent control over its resources. A review of the documentation provided revealed significant portions of the organization's donations were distributed for the use of [REDACTED]. The Organization could not provide us with any documentation related to the direction and control of the organization's resources due to the lack of board meetings and lack of recorded minutes.

Conclusion:

Based on the lack of documentation and tangible evidence, it does not appear the Organization has maintained effective control and direction over the use of its funds and thereby, has distributed its resources to a non-qualified donee. Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the Charity, because it has failed as described at paragraph 168(1)(b) of the Act to comply with the requirements of the Act for its registration as such.

Conclusion

For each of the reasons indicated above, it appears to us that there are grounds for revocation of the Organization's status as a registered charity.

The consequences to a registered charity of losing its registration include:

1. The loss of its tax exempt status as a registered charity which means that the charity would

become a taxable entity under Part I of the *Income Tax Act* unless, in the opinion of the Director of the applicable Tax Service Office, it qualifies as a non-profit organization as described in paragraph 149(1)(l) of the *Act*;

2. Loss of right to issue official donation receipts for income tax purposes which means that gifts made to the charity would not be allowable as a tax credit to individual donors as provided at subsection 118.1(3) of the *Act* or as a deduction allowable to corporate donors under paragraph 110.1(1)(a) of the *Act*; and
3. The possibility of a tax payable under Part V, subsection 188(1) of the *Act*.

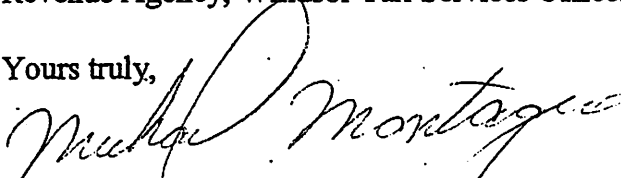
For your reference, we have attached a copy of the relevant provisions of the *Income Tax Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

If you do not agree with the facts outlined above, or if you wish to present any reasons why the Minister of National Revenue should not revoke the registration of Great Lakes Assembly Church in accordance with subsection 168(2) of the *Act*, you are invited to submit your representations within 30 days from the date of this letter. Subsequent to this date, the Director General of the Charities Directorate will decide whether or not to proceed with the issuance of a Notice of Intention to revoke registration of the charity in the manner described in section 168 of the *Act*.

If you appoint a third party to represent you in this matter, please send us written authorization naming that individual and explicitly authorizing that individual to discuss the Ministry's file with us.

If you require further information, clarification, or assistance, please write to the undersigned at Canada Revenue Agency, Windsor Tax Services Offices, P.O. Box 1655, Windsor, Ontario, N9A 7G7.

Yours truly,



Michael Montague
Verification & Enforcement
Windsor TSO

Telephone: (519) 973-7999 Ext 6393
Fax: (519) 257-6608
Address: P.O. Box 1655
Windsor, ON N9A 7G7

Toll free: 1-800-267-2384
(Charities Directorate)

