



CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

REGISTERED MAIL

Hope Economic Relief Organization
1560 Brimley Road, Suite 224
Scarborough, Ontario
M1P 3G9

BN: 865426845RR0001

File #: 3021657

Attention: Mr. Cyril Williams

Subject: **Notice of Intent to Revoke**
Hope Economic Relief Organization

Dear Mr Williams:

I am writing further to our letter dated September 10, 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 Hope Economic Relief Organization (hereinafter, the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (hereinafter, the "ITA"). As of this date, we still have not received any response to our letter.

Consequently, for each of the reasons mentioned in our letter dated September 10, 2007, 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), 168(1)(c), 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) of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.

Business Number
865426845RR0001

Name
Hope Economic Relief
Organization
Toronto, 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

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, 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 (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 or public institution for purposes of subsection 123(1) of the *Excise Tax Act* (hereinafter, the ETA), effective 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 or public institutions. If you have any questions about your GST/HST obligations and entitlements, please call

1-800-959-8287. For your reference, a copy of the relevant provisions of the ETA that apply to charities (Appendix "B") is also attached for your information.

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
Director General
Charities Directorate

Attachments:

- Our letter dated September 10, 2007
- Appendix "A", Relevant provisions of the *Income Tax Act*
- Appendix "B", Relevant provisions of the *Excise Tax Act*
- Form T2046 – Tax Return Where Registration of a Charity is Revoked
- Guide RC4424E Completing the Tax Return Where Registration of a Charity is Revoked



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Hope Economic Relief Organization
1560 Brimley Road, Unit 226
Toronto, Ontario
M1P 3G9

BN: 865426845RR0001

File #: 3021657

Attention: Mr. Cyril Williams

September 10, 2007

Subject: Audit of Hope Economic Relief Organization

Dear Mr. Williams:

Our sincere apologies for the delay in communicating the audit results to you.

This letter is further to the audit of the books and records of Hope Economic Relief Organization (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, 2003 to December 31, 2005.

At our meeting of **February 28, 2007**, you were 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.	Books and records	Subsections 230(2), 230(4) of the ITA
2.	Donation Receipts	IT-110R3, Regulation 3501
3.	Information Return	Subsection 149.1(14)

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:

Books and Records

Section 230(2) of the ITA requires every registered charity to maintain adequate records and books of account at an address in Canada recorded with the Minister. The purpose of this requirement is to enable the charity to accurately provide CRA with the information required by the ITA as well as enable CRA to verify the accuracy of reported information through the conducting of audits.

The Charity did not have any books and records to support its revenues and expenditures for the 2003 and 2004 fiscal years. Mr. Williams stated that all records for the 2003 and 2004 fiscal years were destroyed during a break-in at the Charity's office. Mr. Williams provided a police report, which indicated that there was a break-in on May 31, 2004 in which a computer hard drive, a laptop, a laptop printer and a portable stereo system were stolen. The police report made no mention of documents being destroyed. Also, the break-in does not explain the lack of books and records for the period June 1 to December 31, 2004. Also, the Registered Charity Information Return (T3010) filed show total receipted gifts of \$76,837 for the 2005 fiscal year. Total of receipt copies provided was \$214,697, an unexplained difference of \$137,860. The amounts reported and the copies provided does not included the following receipts:

- #0605 issued to [REDACTED] for \$10,500
- #0653 issued to [REDACTED] for \$11,620
- #0697 issued to [REDACTED] for \$12,500

For the 2004 fiscal year, tax receipted gifts reported on the T3010 were \$42,540 and the total of receipt copies provided was \$32,080. However those totals does not include the following:

- receipt issued to [REDACTED] for \$10,580
- #0392 issued to [REDACTED] for \$5,880
- receipt issued to [REDACTED] for \$8,000
- #0394 issued to [REDACTED] for \$6,500

For the 2003 fiscal year, tax receipted gifts reported on the T3010 were \$37,000 and the total of receipt copies provided was \$37,055. However, those totals does not include the following:

- #0089 issued to [REDACTED] for \$7,550

- #0314 issued to [REDACTED] for \$11,500

The above listed receipts were not provided by the Charity although copies of all receipts issued by the Charity were requested.

The Charity had bank deposits of \$31,127 (2003); \$3,725 (2004); \$35,730 (2005); Mr. Williams stated that most of the receipted donations were for gifts-in-kind and very little cash was received however no documentation was provided to support that statement. The Charity does not have documentation to support all of its reported revenues and expenses.

A charity is not meeting its requirement to maintain adequate books and records if it fails to exercise due care with respect to ensuring the accuracy thereof.

It was found during the audit that no such book of account was maintained and that record retention in support of bank transactions, revenues and expenditures was incomplete.

The Charity's books and records and the internal accounting controls supporting them are considered to be inadequate. As a result, the auditor was unable to confirm revenue and expenditures as recorded, the accounting of receipts and the charitable nature of expenditures as reported in the Information Return.

The Charity must prepare and keep on file a list of official donation receipts issued which reconciles to the T3010, the financial statements and the bank deposit slips. Due to the lack of documentation/explanations, we are unable to verify the total amounts of revenues received and total amounts of expenditures incurred were as reported on the T3010.

Donation Receipts

The audit indicates that the donation receipts issued by the Charity did not comply with the requirements of Regulation 3501 of the Income Tax Act and IT-110R3 as follows:

- Receipts did not indicate whether donation was cash or non-cash. In the case of non-cash, a description of the property donated and its fair market value;
 - The full address and postal code of the donors was not indicated on the receipts;
 - The day on which or the year during which the donation was received or, where property other than cash is received, the actual date of receipt;
 - The place or locality where the receipt was issued.

Information Return

The audit results also indicated that the Charity is improperly completing the Registered Charity Information Return, (form T3010) in that many of the items reported were incorrectly identified or omitted. Specifically for the 2005 fiscal year, the Charity reported total tax receipted gifts of \$76,837, however; the total of donation receipts (provided by the Charity and Sudbury) is \$249,317, a difference of \$172,480. Also, the Charity provided 'invoices' for \$78,231 and a listing of cash purchases from garage sales of \$50,435 for total expenditures of \$128,666; however, total expenditures per T3010 was reported as 81,773; a difference of \$46,893.

It is the responsibility of the Charity to ensure that the information that is provided in its return, schedules and statements, is factual and complete in every respect. We therefore request that the Charity file a revised Information Return for 2005 incorporating the correct information as described above.

Subsection 149.1(14) of the ITA requires every registered charity to file a Registered Charity Information Return, without notice or demand, within six months from the end of each fiscal period. This return must be in prescribed form and contain prescribed information. A charity is not properly meeting its information return filing requirements when it fails to exercise due care with respect to insuring the accuracy thereof.

Programs outside Canada

The Charity indicated that its programs are carried out in Ghana. The brochures and Mr. Williams stated that the Charity's programs are being carried out in Ghana. However, no documentation was provided to show what programs are being carried out and how the Charity's goals are being achieved. Mr. Williams stated that the programs are being carried out with the assistance of volunteer that assist in the distribution of clothing. There are no agency agreement for programs carried out in Ghana, Mr. Williams stated that he personally oversee the programs therefore no agreements or reports are required; however, Mr. Williams travels to Ghana once per year therefore it is question if all the Charity's programs are being carried during those visits. Copies of invoices provided indicate that medication was purchased only in 2005. Based on the information provided during the audit, there is no indication that anything was done to alleviate poverty or provide the basic necessities (for example shelter and food) of life that contribute to poverty alleviation as stated under aims and objectives in the Charity's brochure.

Other issues

In our conversation on February 28, 2007, Mr. Williams stated that he could not find the invoices for auction purchases but there were 5 purchases/invoices; 3 invoices for bicycles, 1 invoice for toy watches & restaurant equipment and 1 invoice for bicycles & coffee makers. Mr. Williams stated emphatically that only children's toy watches were purchased, however; review of a Reinhart auction invoice showed purchase of a lady's

ESQ watch for \$47.50, a lady's GUCCI watch for \$65 and a men's CITIZEN watch for \$35. The charitable nature of those expenditures could not be determined.

In a letter dated September 16, 2006 to a donor regarding her 2004 donations, Mr. Williams stated "we have reviewed our records and forwarded the requested information about the gifts you gave in 2004. We have enclosed a breakdown specifying the dates of your gifts and how the gifts were subsequently used". In a letter dated April 15, 2006 to Sudbury Tax Office regarding 2003 donations, Mr. Williams provided a breakdown of the dates on which the donor made his contributions and how those contributions were used. Also, in another letter dated April 10, 2006 to Sudbury Tax Office regarding a 2003 donation, again Mr. Williams provided a breakdown of the dates on which the donor made his contribution and how those contributions was used. However, in our meeting on September 22, 2006, Mr. Williams stated that he had no records for the 2003 and 2004 fiscal years because they were destroyed during a break-in at the Charity's office on May 31, 2004. Mr. Williams was able to provide the donor and Sudbury with information regarding the 2003 and 2004 fiscal years but was not able to provide any information regarding those years to the auditor.

Each of the above letter stated that the contributions were used for "educational & health programs" and "food & shelter provision"; however, no information was provided to the auditor that would demonstrate how those programs were conducted and the expenditure of funds on those programs.

In a conversation on November 24, 2006, Mr. Williams stated that he signed a blank T3010 and gave it to the accountant before leaving for Ghana so the accountant would prepare the T3010 and send it to Charities Directorate before deadline. He further stated that he called the accountant from Ghana and provided him with the expense amounts to be included on the T3010. However, in a conversation on January 11, 2007, Mr. Williams stated that the volunteers provided the information to the accountant and he was under the impression that they provided accurate information including books of all copies of receipts issued. When asked the name, number and address of the accountant, Mr. Williams stated he had no information about the accountant that a friend recommended the accountant and the only time he met the accountant was at the time when he provided the blank signed T3010 to him. Also, Mr. Williams stated he did not have a copy of the 2005 T3010 because the accountant did not give him a copy although it appears that he received copies of receipt books that the volunteers had given to the accountant.

Conclusion:

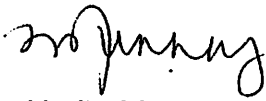
Please provide your written representations and any additional information regarding the findings outlined above within 30 days from the date of this letter. After considering the representations submitted by the Charity, the Director General of the Charities Directorate will decide on the appropriate 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 call me at the numbers indicated below.

Sincerely,



Nadia Murray
Audit Division

Telephone: (416) 410-5307

Fax: (416) 954-6015

Address: 1 Front Street West, 4th Floor
Toronto ON
M5J 2X6