



JUL 20 2007

**BY REGISTERED MAIL**

Pan African Canadian Multicultural Center  
[REDACTED]  
[REDACTED]

Attention: Mr. Philip Arkoh-Forson

Account Number:  
86031 4244RR0001

**SUBJECT: Notice of Intention to Revoke  
Pan African Canadian Multicultural Center**

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Dear Mr. Arkoh-Forson:

I am writing further to our letter dated May 16, 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 Pan African Canadian Multicultural Center (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (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 of May 16, 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)(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), 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.*

**Account Number**  
86031 4244 RR 0001

**Name**  
Pan African Canadian Multicultural Center  
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 May 16, 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*;
- Form T-2046, *Tax Return Where Registration of a Charity is Revoked*.



**REGISTERED MAIL**

Pan African Canadian Multicultural Center

[REDACTED]  
[REDACTED]

Attention: Mr. Philip Arkoh-Forson

BN: 86031 4244RR0001  
File #: 3024301

May 16, 2007

**Subject: Audit of Pan African Canadian Multicultural Center**

Dear Mr. Arkoh-Forson:

This letter is further to the audit of the books and records of Pan African Canadian Multicultural Center (the "Charity") by the Canada Revenue Agency (the "CRA"). The audit related to the operations of the registered charity for the period from August 5, 2003 to December 31, 2005.

The results of this audit indicate that the Charity appears to be in non-compliance of certain provisions of the *Income Tax Act* (the "ITA") or its Regulations. The CRA has identified specific areas of non-compliance with the provisions of the ITA or its Regulations in the following areas:

AREAS OF NON-COMPLIANCE:		
	Issue	Reference
1.	Books and Records	230(2)
2.	Official Donation Receipts	Regulation 3501, 168(1)(d)
3.	Charitable Activities & Objectives	168(1)(b)
4.	Charity Information Return	168(1)(c), 149.1(2)
5.	Remuneration & Benefit Reporting	Regulation 200(1), 6(1)(a)

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:**

#### **1. 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 enables them to verify the accuracy of reported information through the conduct of audits.

In addition to the retention of copies of the donation receipts that section 230(2) explicitly requires, section 230(4) also states, "Every person required by this section to keep books of account shall retain

- (a) the records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such period as prescribed; and
- (b) all other records and books of account referred to in this section, together with every account and voucher necessary to verify the information contained therein, until the expiration of six years from the date of the last taxation year to which the records and books relate."

The Charity provided minimal books and records and the records that were provided were considered to be inadequate. The Charity indicated a flood had occurred in the basement of a building where the records and computer were stored however the seven-page incident report provided by the Charity, and prepared by the building manager, does not identify that any records or computers were destroyed as a result of the flooding. As a result, the auditor was unable to confirm revenue and expenditures as recorded or to confirm the charitable nature of expenditures as reported in the T3010.

It was revealed during the audit that the Charity failed to maintain adequate records to support the donation income reported and official donation receipts issued. The Charity provided copies a portion of the donation receipts issued for 2004 and 2005 however duplicate copies of all official donation receipts issued were not provided. Total tax-receipted income reported on the T3010's filed were substantially lower than the amount of reported on the official donation receipts issued by the Charity. The total tax-

receipted income for the fiscal periods ending December 31, 2003 and 2004 were underreported by \$429,005 and \$1,881,559 respectively.

The donation receipts reviewed report the Charity received property (gifts in kind) however the receipts did not contain a description of the property received. The Charity's representative indicated 400 people donated computers, washing machines, appliances, used clothing, books and toys in 2003. The property was to be shipped to Ghana in 2004 however our review of the shipping documents reveal the shipping vessels referred to on the shipping invoices provided do not exist. In the absence of valid supporting documentation and inadequate records, we have reservations the Charity actually received the goods, received goods in the quantity and value reported and distributed the goods to Ghana for charitable purposes.

A review of the Charity's financial statements also raises concerns about the accuracy of the information reported. For example, in 2004 the Charity received \$48,010 in cash (receipted cash donations and other donations) and was provided loans of \$27,929 for a total cash inflow of \$75,939. The Charity reports spending \$62,037 on expenses, which should result in a cash surplus of \$13,902; the Charity reports cash of \$2,986. These figures change significantly in light of the fact the Charity issued receipts and purports to have received \$1,881,559 in donation income in 2004.

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

## **2. Official Donation Receipts:**

### **a) The Issuance of a Donation Receipt where no gift was made**

At law, a gift is a voluntary transfer of property without consideration. In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. An essential element of a gift is that there be intent to give. It must be clear that the donor intends to enrich the donee, by giving away property, and to grow poorer as a result of making the gift. We have information that would indicate that Ms. Regina Ansah and/or persons associated with Ms. Ansah appear to be selling official donation receipts to "donors" for 10% of the receipts gross value. It is our view, based on the audit evidence that the primary motivation of the donor would not appear to be to enrich the Charity, but to make a profit through the tax credit so obtained. It would appear that the money obtained from the sale of these donation receipts did not end up going to the Charity, but instead went to benefit the directors as the bank account balances do not equal the amount of cash gifts the Charity reports to have received.

## **b) Inaccurate Information on the Donation Receipts**

The law provides various requirements with respect to the issuing of official donation receipts by registered charities. These requirements are contained in Regulations 3500 and 3501 of the ITA and are described in some detail in Interpretation Bulletin IT-110R3 *Gifts and Official Donation Receipts*. Our review of the official donation receipts is limited to the receipts obtained from sources other than the Charity.

It was revealed during the audit that some of the donation receipts issued by the Charity did not comply with all the requirements of Regulation 3501 of the ITA and Information Bulletin IT-110R3 as follows:

- The full address, including postal code, of the donor was not indicated on all receipts. (Regulation 3501(1)(g)).
- Official donation receipts issued were not issued in sequential order. (Regulation 3501(1)(c)) A review of the receipts provided and obtained identified gaps in the sequential ordering.
- Receipts were issued bearing duplicated receipt numbers (Regulation 3501(1)(c)).
- Receipts were issued without a receipt date (Regulation 3501(e)).
- Receipts were issued without a brief description of the property (Regulation 3501(1)(e.1)(ii)).
- Receipts were issued to recognize donations of property without indication of the name and address of the appraiser (Regulation 3501(1)(e.1)(iii)).
- The official donation receipts issued contained false or inaccurate information.

## **c) Control Over Official Donation Receipts**

It appears that there was little control over the storage and issuance of official donation receipts. In particular, the deficiencies noted were as follows:

- Official donation receipts were not issued in sequential order. We obtained additional receipts bearing serial numbers greater than the receipts provided by the Charity therefore we could not ascertain the missing receipts were not issued to donors. The Charity provided receipts with serial numbers commencing at 0001 for 2004 however the audit results revealed receipts with serial numbers in the 000300 and 000400 range were issued for 2003. In 2005, the Charity provided receipts with serial numbers 0001-0050, 0101-0150 and 0351-0400 yet we discovered receipts with serials ranging from 0013 to 001969 were issued.
- Duplicate copies of issued receipts did not correspond with receipts claimed by "donors". The duplicate copies of some donation receipts were one-tenth the amount of the receipt claimed by the donor. For example, a

donor claimed a \$5,000 donation receipt issued by the Charity yet the duplicate copy indicates a \$500 donation receipt was issued.

- Official donation receipts were pre-signed by Ms. Ansah and provided to various associates. The associates would complete the "donation" and "donor" information on the receipts and return the completed receipts to Ms. Ansah. The associates appear to receive a percentage of total "donations" reported.
- No log system was maintained for the number of official donation receipts purchased against those that are officially issued and/or voided.
- Duplicate copies of all receipts were not kept on file for all issued receipts in accordance with subsection 230(2) of the ITA.

#### **d) Gifts in Kind**

The audit results indicated that the Charity had issued receipts for gifts of property other than cash and for which a fair market value of the gifts has not been established. Regulation 3501 of the ITA requires that where the donation is a gift of property other than cash, the amount that represents the fair market value of the property at the time the gift was made preferably by way of independent appraisal for gifts exceeding \$1,000, must be included on the receipt. Furthermore such receipts must show clearly:

- (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 was done.

A majority of the gift in kind receipts issued were for amounts in excess of \$1,000. It was also revealed during the audit that there was no documentation to identify which particular properties were donated by whom as well as the value assigned to each particular property. The auditor also visited the storage facility used by the Charity however the items observed were not representative of the quantity of items the Charity reports to have received or of the value of the goods it reports to have received. This brings into question whether the amounts recorded are reflective of the fair market value of the items said to be donated.

The official donation receipts issued did not contain the date the donation was received, a description of the property or the name and address of the appraiser.

The Charity was therefore unable to support the amounts claimed as the fair market value of non-cash donations as reported in their T3010 returns.



### **3. Charitable Activities & Objectives :**

The Charity is registered as a charitable organization. In order to satisfy the definition of a "charitable organization" pursuant to subsection 149.1(1) of the ITA, "charitable organization" means an organization.... "All the resources of which are devoted to charitable activities".

To qualify for registration as a charity under the ITA, an organization must be established for charitable purposes that oblige it to devote all its resources to its own charitable activities. This is a two-part test. Firstly, the purposes it pursues must be wholly charitable and secondly, the activities that a charity undertakes on a day-to-day basis must support its charitable purposes in a manner consistent with charitable law. Charitable purposes are not defined in the ITA and it is therefore necessary to refer, in this respect, to the principles of the common law governing charity. An organization that has one or more non-charitable purposes or devotes resources to activities undertaken in support of non-charitable purposes cannot be registered as a charity.

The Charity was registered to establish and operate a community centre, to provide education, counselling and other support services, to establish, maintain and operate an employment training centre and to develop employment training and education programs on August 5, 2003.

A charity must show through documented evidence and proper books and records that it undertook charitable activities in furtherance of charitable purposes and must demonstrate that it operated in compliance with the ITA at all times. This requires, among other things, an organization to show that the activities it undertakes benefit only proper objects of charity considering the relief offered. For instance, an organization relieving poverty must show that the beneficiaries of its programs in fact suffer from conditions associated with poverty. The poor are not simply the destitute, but anyone lacking essential amenities, i.e. food, shelter or clothing, available to the general population.

It is our view, based on our review, is that the Charity does not operate for charitable purposes. In fact, the evidence on the file, as outlined in this letter, demonstrates that the preponderance of the effort and resources of the Charity are devoted to participating in a donation receipt sales scheme while an incidental and comparatively insignificant amount of effort and resources are devoted to charitable programming. Operating for the purpose of promoting a donation receipt sales scheme is not a charitable purpose at law.

The Charity does conduct charitable activities in Canada however it appears, based on our review, the Charity's primary activity is the sale of donation receipts and the exportation of goods to Ghana. From the Charity's active participation in the donation receipt sales scheme, we are lead to believe the Charity is not operating for charitable purposes and the Charity is abusing the tax-receipting privileges permitted

under the ITA. In each year audited, the Charity has participated in the donation receipt sales scheme and has not fully disclosed the volume of receipts issued to "donors" when no gift has been received.

#### **4. Charity Information Return:**

##### **a) Late Filed T3010**

Pursuant to subsection 149.1(14) of the ITA, every "registered charity" must, within six months after the end of the charity's fiscal period (taxation year), without notice or demand, file a Registered Charity Information Return with the applicable schedules. 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.

The Charity has not filed its T3010 within six months of the charity's fiscal period ending as summarized below:

FPE	Due Date	Date Received
31-12-2005	30-06-2006	05-01-2007
31-12-2004	30-06-2005	05-01-2007
31-12-2003	30-06-2004	25-02-2005

##### **b) Inaccurate T3010**

The audit also indicated that the Charity is improperly completing the Information Return in that many of the items reported were incorrectly identified or omitted.

Subsection 149.1(14) of the ITA requires that the 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. 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.

The Charity improperly completed the T3010 for the fiscal periods ending December 31, 2003 to December 31, 2005 in that items, noted below, were reported incorrectly:

##### **FPE December 31, 2004**

- E5 reports total tax-receipted gifts at line 4500 of \$2,461,694. Receipts totaling \$ 4,343,253 were obtained.

FPE December 31, 2003

- B1 indicates the Charity did not attach a list of Directors/Trustees and Like Officials. The list of Directors/Trustees and Like Officials was provided.
- E5 reports total tax-receipted gifts at line 4500 of \$28,170. Receipts totaling \$457,175 were obtained.

#### **5. Remuneration and Benefits Reporting:**

Where salaries or wages are paid, the ITA requires annual T4 Summaries and T4 Statements of Remuneration Paid be prepared by the employer [Regulation 200(1)]. In addition to the salaries and wages actually paid, the T4 Summaries and T4 Statements of Remuneration Paid must also include the value of all taxable benefits conferred on employees in the year [paragraph 6(1)(a)]. T4 Summaries of remuneration paid must always be based on the calendar year.

In addition to the foregoing annual reporting requirements, where an employer pays an amount in respect of an individual's salary, that employer is required to withhold certain amounts from such payments [subsection 153(1)]. These amounts are in respect of income tax, Canada Pension Plan, Unemployment Insurance, etc. and the withholdings must be remitted to the Receiver General of Canada.

The Charity reports employing part-time or part-year employees in 2004 however the Charity failed to file a T4/T4A slip reporting the remuneration and/or benefits paid.

#### **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 require further information, clarification, or assistance, I may be reached at (613) 957-2212 or by facsimile at (613) 946-7646.

Yours sincerely,

*Holly Brant*

Holly Brant  
Audit Advisor  
Compliance Section  
Charities Directorate  
Canada Revenue Agency  
320 Queen St. 7<sup>th</sup> Floor  
Ottawa, Ontario K1A 0L5