



NOV 01 2007

BY REGISTERED MAIL

Peace Light Ministries
100 Penn Drive Unit 3
Toronto, Ontario, M9L 2A9

Attention: Rev. Augustine Adu-Anane

Charity Number:
89097 2714RR0001

**SUBJECT: Notice of Intention to Revoke
Peace Light Ministries**

Dear Rev. Adu-Anane:

I am writing further to our letter dated August 31, 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 Peace Light Ministries (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA"). I apologize for the delay in not responding sooner.

After careful review of the representations included in your letter of October 3, 2006, 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 August 31, 2006, 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	Name
89097 2714 RR 0001	Peace Light Ministries 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
Director General
Charities Directorate

Attachments

- Our letter dated August 31, 2006;
- Your letter dated October 3, 2006;
- 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

August 31, 2006

Peace Light Ministries
100 Penn Drive, Unit 3
Toronto, Ontario
M9L 2A9

Your file / Votre référence

890972714RR0001

Our file / Notre référence

3017009

Attention: Rev. Augustine Adu-Anane

Dear Sir:

**Re: Audit of Peace Light Ministries
For the Fiscal Periods Ended December 31, 2003 and December 31, 2004**

This letter is further to the audit of the books and records of the Peace Light Ministries (hereinafter, the "Charity") by the Canada Revenue Agency (hereinafter, the "CRA"). The audit related to the operations of the registered charity for the period from January 1, 2003 to December 31, 2004.

The results of this audit indicate that the Charity is in contravention of certain provisions of the *Income Tax Act* (hereinafter, the "Act") or its Regulations. In order for a registered charity to retain its registration, it is required to comply with the provisions of the Act applicable to registered charities. If these provisions are not complied with, the Minister may revoke the Charity's registration in the manner prescribed in section 168 of the Act.

The balance of this letter describes how the CRA considers that the Charity contravenes the Act.

Books and Records

Section 230(2) of the Act 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 the CRA with the information required by the Act as well as enable the CRA to verify the accuracy of reported information through the conducting of audits

In addition to the retention of copies of the donation receipts that section 230(2) explicitly requires, section 230(4) also states that, "Every person required by this section to keep records and 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 end of the last taxation year to which the records and books of account relate.”

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. For example, the Charity could not confirm the accuracy of the information contained in the T3010. Also, your records indicate that [REDACTED] (receipt #165) donated \$10,170 but receipt was issued for \$190. Also, your records indicate [REDACTED] (receipt #177) donated \$50 but receipt issued for \$500. In both cases, due care was not exercised in ensuring the accuracy of your records and information prepared.

For the year ended December 31, 2004, the Charity on its Registered Charity Information Return (T3010) reported revenues of \$215,430, but bank statements for that period indicated deposits of only \$35,477. For the year ended December 31, 2003, the Charity reported revenues of \$206,772, but bank statements for that period indicated deposits of only \$39,075.

The Charity must prepare and keep on file a list of official donation receipts issued which reconcile to the annual Information Return (T3010), the financial statements and the bank deposit slips. There is no indication that such reconciliation exists.

In 2004, the Charity reported expenditures of \$162, 218 (\$150,588 was reported as spent on charitable programs). In 2003 the Charity reported expenditures of \$160,775 (\$58,622 was reported as charitable programs).

With reference to our letter dated February 17, 2006 (copy enclosed), you had been requested to provide further information to support expenses and to explain the discrepancy between the official donation receipts issued and the amounts deposited into the bank. This was in addition to the information you had agreed to provide during the interview held on February 10, 2006 with the previous CRA auditor. The representations were to be submitted by March 3, 2006. Subsequent requests were made to you in a voicemail message on August 17, 2006 and in messages to your lawyer, Joan Raymond, on August 22 and 23. As of the date of this letter, our office has not received any representation.

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 your T3010.

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)(e) of the *Act* because the

registered charity has failed to comply with or contravenes any of sections 230 to 231.5 of the *Act*.

Official Donation Receipts

The audit indicates that some of the official donation receipts issued by the Charity did not comply with the requirements of Regulation 3501 of the *Act* and IT-110R3 as

- Receipts did not show the place or locality where the receipt was issued,
- The full address and postal code of the donors was not indicated on the 2004 donation receipts,
- Where the donation is a gift of property other than cash, the following information was not included on the donation receipts
 - (i) The day on which the donation was received
 - (ii) The fair market value of the property at the time that the gift was made,
 - (iii) A brief description of the property, and
 - (iv) The name and address of the appraiser of the property if an appraisal is done;

The Charity issued official donation receipts for gifts received from other charities. Official donation receipts should not be issued to other registered charities to acknowledge gifts nor should other registered charities insist on receiving official donation receipts. Official donation receipts that bear a charity's registration number and other information required by the *Act* are for tax deduction or credit purposes only. However a charity may issue receipts to acknowledge gifts it has received from other registered charities as long as those receipts are distinct from the official donation receipts.

The audit results also indicate that there is little control over the storage and issuance of official donation receipts. In particular, the deficiencies noted were as follows:

- Donation receipts were issued out of sequence.
- Duplicate copies of all receipts were not kept on file for all issued receipts in accordance with subsection 230(2) of the *Act*. During the period reviewed, approximately 126 receipts were missing or unaccounted for (see attached spreadsheet).
- Due care was not exercised in all cases to prevent possible alteration of the amount of the donation as shown on the receipts, i.e. leaving a space between the dollar sign and the amount of the donation, particularly when the amounts are not written in words.

Agency Agreement

The audit results also indicate that the Charity does not maintain adequate documentation to support the expenditure of its funds on its overseas activities.

In order to meet the definition of a charitable organization under paragraph 149.1(1)(b) of the *Act*, a registered charity must devote all its resources to charitable activities carried on by it. In order to view an organization as carrying on its own charitable activities, it is necessary that an employee or agent of the organization, or through the participation carry

on the charitable activities by the organization in a joint venture or partnership-like enterprise.

Where a registered charity chooses to administer one or more of its activities through an appointed agent or representative, it must be able to substantiate, by documentary evidence, that it has arranged for the conduct of certain specific activities on its behalf and not simply made an outright transfer of funds to a non-qualified donee. The charity must also be able to demonstrate to the CRA's satisfaction that it at all times, maintains control and full accountability over the use of its monies transferred to the agent.

It is the Department'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 Agency.

Conclusion

For each of the reasons listed above, it appears that there are grounds to revoke Peace Light Ministries' 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* provided that it does not qualify as a non-profit organization as described in paragraph 149(1)(l) of the *Act*;
2. Loss of the 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*; and
4. The loss of the Charity's status as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (hereinafter, the *ETA*), which means that
 - its supplies will no longer be exempt from the Goods and Services Tax/Harmonized Sales Tax (hereinafter, the "GST/HST") under Part V.1 of Schedule V to the *ETA*;
 - it may, if not currently, have to register for GST/HST purposes under subsection 240(1) of the *ETA*;
 - it may no longer calculate its net tax for GST/HST purposes using the calculation method set out under subsection 225.1(2) of the *ETA*;
 - it will no longer qualify for the public service body rebate under subsection 259(3) of the *ETA* as a charity; and
 - it may be subject to obligations and entitlements under the *ETA* that apply to organizations other than charities.

For your reference, we have attached (Appendix "A"), a copy of the relevant provisions of the *Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation. The relevant *ETA* provisions are also attached (Appendix

“B”). If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

If you do not agree with the facts outlined above, or if you wish to present any reasons why the CRA should not revoke the registration of the Charity in accordance with subsection 168(2) of the Act, we invite you to submit your representations **within 30 days from the date of this letter**. Subsequent to that 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 the registration of the Charity in the manner described in subsections 168(1) and (2) of the *Act*.

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.

Should you have any questions regarding these matters or require additional clarification, I may be contacted at 416-410-5307, or write to the address below.

Yours truly,

Nadia Murray
Audit Division, Toronto Centre Tax Services Office
Telephone: 416 - 410-5307
Facsimile: 416 - 954-6015
Address: 1 Front St West, Suite 100
Toronto, ON M5J 2X6
Internet: www.cra.gc.ca

Enclosure