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BY REGISTERED MAIL

Pastor Roger Langboun
Pentecostal Church of the Redeemer (Toronto)
700 Weston Road
Toronto, Ontario M6N 3R3

BN: 89540 1241 RR0001
File #: 1070325

**SUBJECT: Notice of Intent to Revoke the Pentecostal
Church of the Redeemer (Toronto)**

Dear Sir :

I am writing to you further to our letter dated December 3, 2004 (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 the Pentecostal Church of the Redeemer (Toronto) (the "Charity") in accordance with subsection 168(1) of the Income Tax Act (the "Act").

We have reviewed the written response of December 22, 2004 prepared by [REDACTED] on the Charity's behalf and have the following comments in regards to the response:

Books and Records

The Act requires every 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 Canada Revenue Agency (the "CRA") with the information required by the Act as well as to enable the CRA to verify the accuracy of reported information through the conducting of audits.

Subsection 230(2) of the Act states:

"Every registered charity and registered Canadian amateur athletic association shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing

.../2

- a) information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act;
- b) a duplicate of each receipt containing prescribed information for a donation received by it; and
- c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act."

In addition, subsection 230(4) of the *Act* requires that such books and records are to be maintained for prescribed periods. Duplicate donation receipts must be retained for two years after the last day of the calendar year to which they relate, and all other books and records, including supporting documentation must be retained until the expiration of six years from the date of the last taxation year to which the records and books relate.

The audit had revealed that the Charity did not maintain such books of account and that the record retention in support of bank transactions and expenditures was incomplete. The internal controls supporting these records were found to be inadequate. As a result, the auditor was unable to confirm the accounting of the receipts and the charitable nature of the expenditures as reported by the Charity.

The Charity did not retain the documentation necessary to demonstrate that it maintained control and direction over the funds indicated as having been expended to support its missionary activities conducted in Ghana.

The audit had also revealed that the Charity did not maintain a duplicate of each receipt issued and as a result, it could not be determined if official donation receipts were being issued in accordance with the requirements of the *Act*.

The response had acknowledged the deficiencies in the maintenance of the Charity's books and records. To address this, the response had stated that the Charity has solicited the services of an accountant to oversee and provide guidance with respect to the recording, maintenance and reporting of the organization's operations. However, the letter had not indicated any specific actions that would be undertaken by the Charity to address the CRA's concerns.

Conclusion

Consequently, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) of the *Act* and delegated to me, I propose to revoke the registration of the Pentecostal Church of the Redeemer (Toronto). By virtue of subsection 168(2) of the *Act*, the revocation will be effective on the date of publication in the Canada Gazette of the following notice:

Notice is hereby given, pursuant to paragraph 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:

File Number	Business Number	Name
1070325	89240 1241 RR0001	Pentecostal Church of the Redeemer (Toronto) Toronto, ON

In accordance with subsection 168(2) of the Act, 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 Act, 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

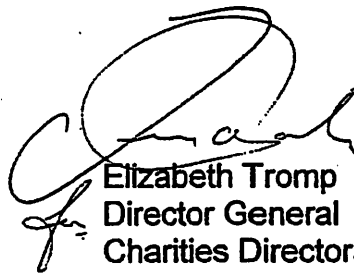
As of the date of revocation, which is the date upon which the above-noted notice is published in the *Canada Gazette*, the Charity will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts**.

Additionally, by virtue of section 188 of the Act, 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 Act (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.

Furthermore, the Pentecostal Church of the Redeemer (Toronto) will no longer qualify as a charity 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. If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

I also wish to advise you that pursuant to subsection 150(1) of the Act, 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 of December 3, 2004
- Your letter of December 22, 2004
- 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

REGISTERED MAIL

Pentecostal Church of the Redeemer (Toronto)
700 Weston Road
Toronto M6N 3R3

Your file / Votre référence

Our file / Notre référence
892401241RR0001

Attention: Pastor Roger Langboug

December 3, 2004

Dear Sir:

Re: Registered Charity Audit

This letter is further to an audit of the books and records of account of Pentecostal Church of the Redeemer (Toronto) (the "Church"). The audit related to the operations of the Church for its fiscal period ended August 31, 2002.

The audit has raised concerns about the Church'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's") concerns.

Books and Records

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 CRA with the information required by the *Act* as well as enable CRA to verify the accuracy of reported information through the conducting of audits.

Section 230(2) specifically requires a registered charity to keep:

- (a) information in such a form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this *Act*;
- (b) a duplicate of each receipt containing prescribed information for a donation received by it; and

- (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this *Act*.

Section 230(4) of the *Act* requires such books and records to be maintained for prescribed periods. Duplicate official donation receipts must be retained for two years after the last day of the calendar year to which they relate, and all other books and records, including supporting documentation must be retained until the expiration of six years from the date of the last taxation year to which the records and books relate.

We found during the review that the Church did not maintain such books of account and that record retention in support of bank transactions and expenditures was incomplete. We also found the internal controls supporting these records to be inadequate. As a result, we were unable to confirm the accounting of receipts and the charitable nature of expenditures as reported by the Church.

The Church also did not retain the documentation necessary to demonstrate that it maintained control and direction over the funds expended to support its missionary activities conducted in Ghana.

The audit also revealed that the Church did not maintain a duplicate of each receipt issued and as a result it could not be determined if official donation receipts were issued in accordance with the requirements of the *Act*.

Under paragraph 168(1)(e) of the *Act*, the Minister may, by registered mail, give notice to a registered charity that he proposes to revoke its registration if fails to comply with or contravenes any of sections 230 to 231.5 of the *Act* dealing with books and records.

Board of Directors

Subsection 149.1(1) of the *Act* requires that more than 50% of a charitable organization's board of directors be at arm's length. The audit revealed that two of the three current Board members are not at arm's length.

Under paragraph 168(1)(b) of the *Act*, the Minister may give notice to a registered charity that he proposes to revoke its registration where a registered charity ceases 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 charity'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 Services Office, it qualifies as a non-profit organisation 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*.

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 Pentecostal Church of the Redeemer (Toronto) 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 a written authorization naming that individual and explicitly authorizing that individual to discuss the Church's file with us.

If you require further information, clarification, or assistance, please contact the undersigned at Canada Revenue Agency at the address or telephone number noted below.

Yours truly,



H. Keen
Verification and Enforcement Division

Telephone: (416) 410-1752
Fax (416) 954-6015
Address: 1 Front Street West, Suite 100
Toronto ON M5J 2X6

Enclosure