CANADA REVENUE AGENCY    AGENCE DU REVENU DU CANADA

**REGISTERED MAIL**

Dominion Christian Centre of Canada
141 Park Street North
Hamilton ON L8R 2N4

Attention: Cameron Elder

BN: 85656 4778 RR0001
File #:3018913

February 16, 2009

**Subject: Revocation of Registration**
**Dominion Christian Centre of Canada**

Dear Mr. Elder:

The purpose of this letter is to inform you that a notice revoking the registration of Dominion Christian Centre of Canada (the Organization) was published in the *Canada Gazette* on February 14, 2009. Effective on that date, the Organization ceased to be a registered charity.

**Consequences of Revocation:**

a) The Organization is no longer exempt from Part I Tax as a registered charity and **is no longer permitted to issue official donation receipts.** This means that gifts made to the Organization are no longer allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the *Income Tax Act* (the Act), respectively.

b) By virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the Notice of Intention to Revoke. This revocation tax is calculated on prescribed formT-2046 '*Tax Return Where Registration of a Charity is Revoked*' (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the Return is enclosed. The related Guide RC-4424, '*Completing the Tax Return Where Registration of a Charity is Revoked*', is available on our website at www.cra-arc.gc.ca/E/pub/tg/rc4424.

Section 188(2) of the Act stipulates that a person (other than a qualified donee) who receives an amount from the Organization is jointly and severally liable with the Organization for the tax payable under section 188 of the Act by the Organization.

c) The Organization no longer qualifies as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (the ETA). As a result, the Organization 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 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

In accordance with *Income Tax Regulation* 5800, the Organization is required to retain its books and records, including duplicate official donation receipts, for a minimum of two years after the Organization's effective date of revocation.

Finally, we wish to advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a *Return of Income* with the Minister of National Revenue (the Minister) in prescribed form, containing prescribed information, for each taxation year. The *Return of Income* must be filed without notice or demand.

If you have any questions or require further information or clarification, please do not hesitate to contact the undersigned at the numbers indicated below.

Yours sincerely,

for:

Danie Huppé-Cranford
Director
Compliance Division
Charities Directorate
Telephone: 613-957-8682
Toll free: 1-800-267-2384

Enclosures

- Copy of the Return (form T-2046)
- Canada Gazette publication

March 18 2008

Registered Mail

Dominion Christian Centre of Canada
141 Park Street North
Hamilton, ON L8R2N4

Attention: D.Barhouma

**Re: Audit of Registered Charity Information Returns**
**For the Fiscal Periods Ended December 31, 2005, 2004 and 2003**
**Business Number: 873521918/856564778RR0001**

Dear Mr. Barhouma:

This letter is further to the audit of the books and records of Dominion Christian Centre/Dominion Christian Centre of Canada (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.

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. | Official Donation Receipts | Regulation 3501, 168(1)(d) |
| 2. | Benefits to Members/ Remuneration & Benefit Reporting | 149.1, Regulation 200(1), 6(1)(a) |
| 3. | Charitable Activities & Objectives | 168(1)(b) |
| 4. | Charity Information Returns | 168(1)(c), 149.1(2) |
| 5. | Disbursement Quota | 149.1(2)(b) |
| 6. | Books and Records | 230(2) |

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.

**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*. We reviewed the receipts provided by the charity and receipts that were provided by some of the donors.

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 Bulleting IT-110R3 entitled "Gifts and Official Donation Receipts" as follows:

- The full address, including the postal code, of the donor was not indicated on all receipts. (Regulation 3501(1)(g));
- The copies of the receipts provided by the Charity had no receipt numbers on them (Regulation 3501(1)(c));
- Some of the receipts that were issued to the donors had the same receipt number on them and some were issued with no receipt numbers (Regulation 3501(1)(c));
- The copies of the receipts that the charity provided did not match the copies provided to the donors (230(2));
- Not all the official receipts issued to the donors were signed (Regulation 3501(f));
- Receipts were issued to donors who received an advantage, but the amount of the advantage was not factored in (IT-110R3 Par. 3, proposed 248(31) and (32));
- A receipt was issued for a gift of service (IT-110R3 Par. 15(d));
- Some receipts contained the wrong date (with respect to the gifts-in-kind);
- Receipts were issued for gifts-in-kind, but the receipts did not contain the required information (Regulation 3501(1)(e.1)(iii), and in fact, some contained false or misleading information.

Based on the copies of the receipts that the charity provided, receipts were issued to Peggy Geritsen, Ron and Judy Pavoloff and Peter Humby, but the address of the donor was not recorded on them, as required by the Regulations. Since the charity's copies of the receipts do not necessarily match donor's copies, it is not possible to determine if the receipts issued to all the donors included their address or not.

Section 230(2) reads in part:

"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

> ....
> (b) a duplicate of each receipt containing prescribed information for a donation received by it; and..."

The charity has failed to meet this obligation.

On the copies of the receipts that the charity provided, there were no receipt numbers as required by the Regulations, and on some of the receipts issued to the donors, some had receipt numbers, but many had the same receipt number. Also, some had no receipt number. As a result, it is impossible to accurately determine the number and amount (dollar value) of receipts issued by the charity, or to whom they were issued.

In addition to some of the donor's receipts having receipt numbers, while none of the charity's copies did, there were other discrepancies between the copies issued to the donors and those of the charity.

Some of the donor's receipts had a breakdown of the donations (e.g. tithe, building), while none of the charity's copy had this breakdown. In our interview of January 10, 2008, Pastor Peter indicated he wasn't sure if these donation summaries were signed or not, and that the donors would also have received an official signed receipt. In reviewing some of the donor's receipts, while they are not signed, they are marked "This is receipt is for official Revenue Canada tax purposes". Only receipts that are official donation receipts should be marked as such, and since the signature on the donation receipts was handwritten, this could lead to the possibility of a donor adding a signature and potentially claiming double the donations. Since the charity did not maintain duplicate copies, it is impossible to determine if this was the case or not.

A comparison of the some of the receipts provided by the donors and the receipts provided by the charity show that the format and presentation of the receipts differ. Some of the donor receipts had the 'dcc logo' on them, while some of the charity's copies did not and not all the dates on the two sets of receipts matched. In addition, the amount of the donations on some of the donor receipts did not match the amount reported on the charity's copy.

A signed donation receipt was issued to Don Rankin for $2,400.00 for the 2004 taxation year. This receipt has no receipt number. It was not possible to locate this donation receipt in the copies of the receipts that the Charity provided. This would indicate that the charity has not maintained copies of all the receipts issued.

For the reasons described above, it is not possible to accurately determine if the amount of donation receipts issued by charity is accurate.

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. Some of the donors to charity received free food, or food at a reduced price; free or reduced lodging and gym and vehicle payments that were paid for by the charity. As noted in IT-110R3 and Technical News No. 26, when a donor receives an advantage, the amount of advantage has to be factored in the calculation of the eligible amount of the donation. The charity did not factor in, or calculate any amounts for the advantages as it relates to the donations, so, as a result, it is unable to substantiate the amount of the donations reported on the receipts.

Gifts of services are not considered gifts and should not be receipted. In 2005, the charity issued a donation receipt for $13,500 to Don Rankin. Based on information provided during our meeting of January 10, 2008, $12,000 of this represents Mr. Rankin's fee in connection to some real estate work that he did for you. As it is a gift of service, the donation receipt will need to be cancelled, and a receipt issued for only the cash donation received from him in the year. A copy of the cancelled and new receipt will need to be provided to the Agency.

Receipts for gifts in kind must contain the date on which the gifts were received, a brief description of the property received and details on the appraisal used to support the amount of the gifts. A charity has to be able to demonstrate how it determined the fair market value of the gifts in kind at the time the donations were made. Based on the copies of the receipts that were provided by both the charity and the donors, none of the receipts were marked as gifts in kind and none contained the other required information. In addition, the charity was unable to support the amounts that were reported on these receipts.

Receipts were issued to Robert Spencer and Roy Wasley for $25,000 in 2005. Based on the information provided during the meeting of January 10, 2008, it does not appear that these two individuals were in fact the donors of the property. It appears that these items flowed through an intermediary, Robert Bates. An invoice was provided from Bates Audio Production; however, this invoice does not support an amount of $50,000. It is unclear if the items represent a purchase from this business, or from a business that might no longer be in operation (a business run by Spencer and Wasley). It is also possible, that this business was a corporation. From the information provided, the charity is unable to verify the amount of the donation or who the true donor is. These receipts will need to be cancelled and copies of the cancelled receipts will need to be provided to the Agency.

The charity issued $100,000 worth of donation receipts (2 for $50,000) for the property at 141 Park Street North. This was based on a selling price of $250,000 with the charity putting down $50,000 and the vendors taking back a mortgage for $100,000. In order to have been able to issue donation receipts that the charity did, the charity needed to demonstrate that the selling price of $250,000 represented the fair market value of the property at the time of the transfer. The charity failed to do this.

The charity was asked to show how it arrived at an amount of $250,000. The charity provided an OREA agreement in December of 2007. This agreement showed that the parties agreed that vendors and purchasers agreed to give a donation receipt of $100,000, but this document does not establish what the FMV of the property was.

In our meeting on January 10, 2008, it was indicated that this amount (the selling price of $250,000) was from the MLS listing. However, based on the MLS history, and the MLS listing that you provided in January, this does not appear to be the case. In September of 2001, the property was listed for $375,000; however, the listing expired without the property being sold. In June of 2003, the listing was $200,000 and in July of 2003 it was $199,000 (this was on the listing that you provided at our meeting in January 2008). Again, the property did not sell. Based on this, it would appear that the MLS listing does not support an amount of $250,000 at the time of the transfer.

It was indicated during our January meeting that perhaps past property tax arrears or the amount assessed for municipal taxes was used to determine the value. The amount assessed for municipal taxes is not considered the FMV by the CRA. Also, the amount of the property tax arrears was not part of the appraised amount (see below). The additional information that was provided during our meeting in January 2008, and the documents provided in December 2007 were provided to our appraiser, and his conclusion of the FMV did not change. See below.

Although the charity was requested on numerous occasions to provide an appraisal report or other documentation to support the amount on the donation receipts, no documentation of any kind was presented until December of 2007.

As part of the audit process, and since no documentation was provided until December of 2007, an appraisal was conducted by the CRA. From this appraisal report, it was noted that the $100,000 donation receipt was classified on the land transfer affidavit as "the transferors gifting excess in value of the property over the sum of $150,000". Based on this documentation, at the time of the transfer, the parties recognized that value of the property was not $250,000. The appraisal conducted by the CRA concluded that the value of the property in November 2003 was only $132,000.

Based on the appraised value of $132,000, or even the $150,000 listed in the land transfer affidavit, no donation receipt should have been issued and, as a result, the receipts are considered to contain an inflated amount.

There are problems with the receipts that were provided by the charity for this transaction. First, the receipts that were provided in the package with all the other receipts (provided in April of 2007) did not contain receipt numbers, an indication that the receipts were for a gift-in-kind, a description of the property or details on an appraisal. In the information provided in December of 2007, two receipts were provided, but these receipts did not match the receipts provided in April. The two receipts provided in December were both numbered "1" and the date on them was 10/29/2003. The date on the receipts provided in April was 08/28/06.

When receipts are issued for gifts other than cash, the receipt needs to contain the day on which the donation was received. Based on the available information, it would appear that neither of these dates reflects the date of the sale as it appears the property was transferred on Nov. 6, 2003. If this is the date that the charity is considered to have received the property, then this should have been recorded on the receipts.

The charity issued a donation receipt for $20,000 in connection to the property at 213 Park Street North. To support this transaction, the charity provided a letter from the vendor, Jose Luis Melo Moniz dated Feb. 1, 2005 indicating that he agreed to sell the property to you [Dominion Christian Centre] privately for $240,000 and a donation receipt of $20,000. At the time that this transaction took place, the charity needed to be able to show how it arrived at a FMV of $260,000. It failed to do this. It provided an appraisal report dated Sept. 15, 2005, but this report is of little value since it is for a date after the sale. In addition, a copy of that report was reviewed by an appraiser from the CRA, and he concluded that the property was not worth $315,000 as of Sept .15, 2005, that the value was $240,000 and in his opinion, would not have been worth the $260,000 as of February 2005.

As a result of this, the charity is unable to support the donation amount of $20,000 (as it was unable to support the amount of $260,000) at the time of the sale. In addition, even if the value of the property was $260,000 at the time of the sale the charity did not calculate the amount of the donation receipt correctly as it failed to take into the amount of the advantage that the vendor received.

As noted above, when a donor receives an advantage, the amount of the advantage needs to be factored into the determination of the eligible amount donation. Per proposed sections 248 (31),(32) and (33), if the advantage the donor receives is greater than 80% of the FMV, then no donation receipt should be issued. In the present case, even if the property was worth $260,000, no receipt should have been issued as the advantage the donor received, that is the amount that they actually received (i.e. $240,000) was greater than 80% of the $260,000.

A charity's registration status can be revoked for issuing receipts that are not in accordance with the Income Tax Act.

**Benefits to Members**

Section 149.1(1) of the ITA, stipulates that no part of a charity's income "...is payable to, or otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor." and summary policy CSP-002 states that "Under the *Income Tax Act*, a registered charity cannot confer on a person an undue benefit...".

During the audit period, members, donors, employees of the charity received benefits, including food, lodging, gym memberships (YMCA), trips, vehicles, other personal items paid for by the Charity and potentially other benefits.

Members of the church received free or "comped" food from the café. In addition, during the construction and renovation, members received meals provided by the charity. These are considered benefits, and in terms of employees, possible taxable benefits.

During the audit it was noted that there were transactions in the electronic records marked YMCA. It was indicated that the Charity had paid for the gym membership of some of the members. No further details was provided on this until December of 2007, when, by way of a fax it was indicated that a corporate membership for the YMCA was purchased and that members paid amounts back to the charity when they used the membership. However, no information was provided to support this, and based on the quality of the books and records (see "Books and Records" below for additional information), it does not appear that the entries in the records will support this.

While reviewing your website and your electronic records it was noted that several trips took place during the audit period and which there were entries for in your records. The locales included Europe, Boston, Florida, California, New York and Hawaii. Full details on all the trips were requested including a list of participants, itineraries, cost paid per participant and amount each participant paid. Although requested, full details were not provided on all the trips. Limited information was only provided for the Boston and European trips.

During a field visit, questions were asked about the Europe trip, including the reason for the trip. It was indicated that the purpose of the trip was for leisure, and based on the itinerary that was provided, this is the case. From the 2005 profit and loss that was provided it was noted that the expenses for the European trip were greater than the amount recorded for income, and when asked how this deficiency was paid for, it was indicated that the church paid for it through its mortgages. It was also indicated that the Charity helped pay for some of the costs for the members. Prior to our meeting in January 2008 there was no indication that members were required to pay amounts back to the Charity.

During the January 10, 2008 meeting it was indicated that loans were set up for members who could not pay for the Europe trip; however, there was no written documentation confirming these loans between the members and the Charity (i.e. a document with signatures confirming the details of the loans). The documentation that was provided for the Europe trip included an itinerary, some spreadsheets (a spreadsheet was provided by way of fax in December of 2007 and in our meeting in January 2008) and some repayment schedules. The spreadsheets included a list of participants, the estimated cost for each participant, amounts paid by members and some repayment schedules. While asking additional questions about this spreadsheet and the trip, Pastor Peter indicated that this spreadsheet was one of many and that he was unsure where it fit into the sequence of spreadsheets and he commented that he wished that they had more information, but didn't. No information was provided as to the actual cost of the trip.

Included with the spreadsheets were repayment schedules for "In House Loan[s]" to David Ricottone, Linda den Boer, Joel Sullivan and Sean Sullivan. You indicated that these payables would not have been set up in your records, but that the repayments would have been recorded. We were unable to trace the repayments indicated in the repayment schedules that you provided. For these reasons, we are unable to verify that these loans existed or whether amounts were paid back. As we were unable to trace these payments, and since there was no paperwork provided to support these loans, it would appear that these members received the benefit of a free trip and/or a free loan.

On the spreadsheet that was provided in January, it appears that Pastors Peter and Marguerite Rigo and David Barhouma did not fully pay for trips. As a result, it is unclear if the pastors paid for their trips. In addition, Pastors Peter and David did a pre-trip and when asked how this was paid for, it was indicated that it was paid through credit cards. As noted below, the personal credit card(s) of the pastor were run through the books. As a result, it would appear that the trips were paid for by the Charity.

The Charity made vehicle payments for the Pastors Peter and Marguerite Rigo and for David Barhouma. During the charity and the payroll audits, it was presented that these payments were made from after tax dollars (i.e. these members/employees paid the amounts themselves); however, a review of your records indicated that this was not the case and taxable benefits were assessed as part of payroll audit. Please note that although an amount may be recorded as taxable benefit, and reported on a T4 slip, this does not necessarily negate the fact that the item could be considered an undue benefit.

A review of the electronic records appear to indicate that numerous personal items were recorded in the books and records of the charity, most notable items from the Pastor's credit card (Peter). Examples of such entries include clothing boutiques, meals, jewellery, items in Hawaii, driver's education fees and hotels. For a sample of detailed names, please see the appendix in our fax of December 4, 2007. The payment of personal expenses is a considered a benefit, and could also be considered taxable benefits that should have been reported on an information slip (e.g. T4/T4A).

Although outside the audit period, a review conducted by Services Canada found that Peter and Marguerite Rigo and David Barhouma benefited by receiving employment insurance benefits that they were not entitled to. This review concluded that someone on each of those person's behalf knowingly made false or misleading representations in connection to the issuing of false Records of Employment. In addition to the false records of employment, Services Canada determined that these employees, as well as Jessica Barhouma received monies out of the Charity that you indicated were for loan repayments; however, no evidence was provided to support these loans.

As there was no documentation to support that these individuals made these loans to the Charity, it would appear that these individuals, including officers of the corporation, had access to the revenue of the charity and in fact received undue benefits. If these were in fact loan repayments, then, based on the current circumstances, the Charity is not meeting its obligations for books and records (see Books and Records section below).

It is also possible that members received benefits in additions to the ones listed above. From the electronic accounting records, your paper records and from information presented on your website, other trips were taken by members of the Charity. Although full details were asked for all the trips, this information was not provided, so it is unclear whether additional benefits were conferred upon the members.

The website indicated that DCC helped to clean up the community; that it assisted neighbours with their lawn care and landscaping to help beautify the neighbourhood. It also indicated that DCC had renovated several homes in the area. Although details on these events were requested, the information has not been provided. We also note that a number of members live in the vicinity of the church.

During the audit period, as reported in the records, the charity operated a number of businesses, including the restaurant (see food section above), construction, cleaning, art school and a salon. Conflicting information regarding these operations has been presented (see activities below), but it does appear that through these businesses members received benefits.

For example, in the initial audit questionnaire, it was indicated that the salon operation was not open to the public and that it was used to look after the member's hair. When a member receives services for free, or at a reduced cost, this would constitute a benefit to them. We are also concerned that the operation of the salon maybe an unrelated business in that it is not, in any way, related to the objects of the organization.

As was noted in the section on donations, when a donor receives an advantage, the amount of the advantage has to be factored into the calculation of the eligible amount of the donation reported on the receipt. When it is not possible to calculate the amount of the advantage, then no receipt should be issued. The benefits identified above that members received constitutes an advantage, and as such, should have been factored in when determining the amounts reported on the donation receipts for these members.

The issues noted above are grounds for the revocation of charity's registration status.

**Remuneration and Benefits**

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.

As was noted in the "Benefits to Members" section above, and as was discovered during the payroll audit, the charity failed to properly report the benefits/remuneration received by its employees, and failed to prepare T4 or T4As for all required persons. It should be noted that while a payroll audit was completed, it did not cover the years 2003 and 2004, and it was limited in its scope in the issues reviewed.

**Activities**

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, whether or not incorporated,

> (a) all the resources of which are devoted to charitable activities carried on by the organization itself,

(b) no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee, or settler thereof....

The charity was involved in a number of different activities in the audit period. Examples, as noted previously, included the operation of a restaurant, cleaning, construction, theatrical type productions and the hair salon.

Different explanations of these various activities have been presented.

In the initial audit questionnaire these activities were identified as away to assist members of the Charity and as a way to fundraise for the church. A charity is able to assists its members, but it cannot be set up to aid them exclusively and members cannot receive undue benefits simply because they are members. Based on the items reviewed, the charity has used its income and assets in non-charitable ways because they were used to personally benefit members. In addition, a registered charity is required to devote all of its resources to its own charitable activities. Fundraising is not considered charitable. So, if these events were considered fundraising activities, the associated expenses would be considered fundraising or perhaps management/administrative expenses.

In talking with your representative, it was indicated the Charity had opened up a for profit business at the end of 2004, and these activities were supposed to be part of that business; however that they [the Charity] did not split these operations from the Church and the corporation [it is believed that this refers to DCC Properties Inc.] One of the reasons why this didn't take place is that they did not want to loose the property tax exempt status of the building by placing the property in the for profit business.

These activities were conducted using the assets and personnel, including the officers, of the charity and were controlled by the members of the charity. These activities do not appear to be related to the advancement of religion, and as such, it appears that the organization operated a non-related business. A charity is not permitted to operate a non-related business.

As was noted in the section on benefits to members, the charity failed to meet this part of the definition of a charitable organization. Members and officer of the charity benefited from, and had access to the assets and income of charity. Examples include personal expenditures paid for by the charity and monies paid to individuals that were not substantiated by adequate documentation.

A charity's registration status maybe revoked for not meeting the registration requirements of 168(1)(b) of the Act.

**Charity Information Returns**

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.

A review of the filing history of the Charity shows that it filed the returns for the fiscal years ending 2005/12/30, 2004/12/30 and 2003/12/30 late. As a result it has not met its obligations to file its returns on time.

A review of the charity information returns that were filed shows that they were not completed correctly or accurately, as noted below:

**All Years**

<u>Rank and Description of Activities</u>

All years show 100% as "Place of worship, congregations, parishes, dioceses, etc."; however, the Charity was involved in a number of other activities including for profit ventures.

<u>Section D. Compensation</u>

Question D5 "Did the charity compensate any of its directors/trustees or like officials, during the fiscal period? "(Line 3900) – all years the answer is No, however, Pastor Peter Rigo received a T4 in all years, along with other forms of compensation not reported on the T4. In addition David Barhouma received employment income, and other compensation not reported on a T4, in 2004 and 2005. Pastor Peggy (Marguerite) Rigo, while not a director, would also be considered a like official also received a T4, along with compensation not reported on a T4, in all years.

Question D6 "Except for compensation, did the charity, directly or indirectly, transfer any part of its income or assets to individuals or organizations not at arm's length to the charity?" As noted in the section above "Benefits to Members", members, including officers, directors or like officials, received benefits (i.e. income/assets) from the Charity.

Section E. Financial Information

The charity received gifts-in-kind, but did not include these amounts at line 4500 "Total eligible amount of tax receipted gifts" and, for 2004 and 2005 did not record them (gifts in kind) at line 5600 "....the total eligible amount of tax-receipted non-cash gifts (gifts in kind)".

All returns have line 4530 "Total other gifts" as blank, however, the charity received loose offerings, which appear to have been included in line 4500 "Total eligible amount of tax receipted gifts".

**Return for the Fiscal Year Ending 2003/12/31**

Section C. Programs and General Information

Question C8 Collection plates/boxes (line 2530) – the answer is blank, but the church did receive donations through this method.

**Return for the Fiscal Year Ending 2004/12/31**

Section C. Programs and General Information

Question C10 "Did the charity charge fees for, otherwise receive regular revenue from goods, services, or the use of the charity's assets" (Line 2800) – the answer is no, however, as noted above and as discussed in the Activities Section, the charity was involved in a number of different activities, some of which charged a fee (e.g. music lessons, café sales, construction).

Section D. Compensation

Questions D1, D3 and D4 relate to the number of full and part-time staff, and the remuneration paid to the part-time staff.

The answer for D1 (line 3600) "On average, how many permanent, full-time, compensated positions did the charity have in the fiscal period" is 3, while the answer for D3 (line 3800) "On average, how many part-time or part-year employees did the charity employee in the fiscal period" and D4 (line 3850) "What was the total expenditure on compensation for part-time or part-year employees in the fiscal period" are both blank.

**Return for the Fiscal Year Ending 2005/12/31**

Section C. Programs and General Information

Question C10 "Did the charity charge fees for, otherwise receive regular revenue from goods, services, or the use of the charity's assets" (Line 2800) – the answer is no, however, as noted above and as discussed in the Activities Section, the charity was involved in a number of different activities, some of which charged a fee (e.g. music lessons, café sales, construction).

Question C12 "If the charity received non-cash gifts (gifts in kind) for which you issued tax receipts, check all the types of gifts that apply." No item is checked off; however, the church did receive gifts in kind.

Section D. Compensation

Questions D1, D3 and D4 relate to the number of full and part-time staff, and the remuneration paid to the part-time staff.

The answer for D1 (line 3600) "On average, how many permanent, full-time, compensated positions did the charity have in the fiscal period" is 3, while the answer for D3 (line 3800) "On average, how many part-time or part-year employees did the charity employee in the fiscal period" and D4 (line 3850) "What was the total expenditure on compensation for part-time or part-year employees in the fiscal period" are both blank.

The charity submitted 18 T4 slips in the year, indicating that the answers to Questions D1, D3 and D4 would appear to be incorrect. Further, the amount reported as the "Salaries, wages, benefits and honoraria" for the year (line 4880, $76,782) does not reconcile to the amounts reported and remitted for payroll for the year.

The charity information return did not reconcile to the financial statements provided. In the year, the charity was involved in a number of different activities, but they were not all reported on the information return, as was the case in the previous years. These activities (e.g. construction, restaurant) were part of the operations of the Charity and should have been reported on the returns.

**Returns for the Fiscal Year Ending 2004/12/31 and 2005/12/31**

On both these returns, all the expenses have been recorded at line 5000 "Total charitable expenditures included in line 4950", however, this is incorrect as the charity did incur expenses for non-charitable activities, such as management and administration and fundraising. As a result of this, the Charity's disbursement quota is *inaccurate*.

A charity that fails to meets its obligations to file its charity information returns as required by the Act could have its registration status revoked.

**Disbursement Quota**

Each year a charity is required to spend a required amount on its charitable activities. This amount, called the Disbursement Quota (DQ), is calculated using the information provided on the charity information return and if a return is completed incorrectly, the DQ will also be incorrect.

The DQ calculated for 2004/12/31 and 2005/12/31 will be overstated because all the expenses have been incorrectly classified as being charitable.

As the returns have been filled out incorrectly, and with the accuracy of the books and records in question (see below, "Books and Records"), it is not possible to determine if the charity is in fact meeting its Disbursement Quota. A charity that fails to meet its Disbursement Quota could loose its charitable status.

**Books and Records**

Subsection 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 the 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 subsection 230(2) explicitly requires, subsection 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 has failed to meets obligations for maintaining adequate books and records. Some specific examples have already been noted in the sections above. In addition to those examples, further problems with your books and records are discussed below.

In our meeting in January 2008, and in previous discussions with yourselves and your representative it was admitted that there are numerous issues with your accounting records. For example, there are journal and adjusting entries that can't be explained or for which no explanation was provided. Based on this, the accuracy of the records is in doubt.

To support the amount of donations, the charity provided a copy of its receipts and Excel spreadsheets. It was not possible to reconcile these spreadsheets to the donations, and it does not appear that they are of use in the analysis of the donations. The donation information, including gifts in kind, was recorded in Membership Plus, but this information was not reconciled to your Quick Book Records, which was the basis for the charity information returns.

The Charity was not able to support amounts for its loans. It has an account marked In House Loans, and payments were made to individuals, however, it was not able to provide documentation to support these loans. Without adequate documentation, the Charity is unable to demonstrate that members made these loans and that the payments made to them are not a form of remuneration.

A charity that fails to maintain adequate books and records could have its registration status revoked.

**GST**

As was noted in our correspondence and in our meeting in January 2008, it appears that the charity has filed its GST rebate return for the period ending

2005/12/31 incorrectly. It was not possible to reconcile the electronic records to the return that was filed and although requested, reconciliation was not provided. Based on the entries in the electronic records, it appears that the Charity claimed GST on items that would not have GST (e.g. items purchased out of the country). In addition, a charity is required to claim a GST rebate (as opposed to Input Tax Credits), and it is required to use the Net Tax Calculation. It is not possible to determine if the charity did this.

The charity is involved in a number of activities (as recorded in the records provided). A number of them appear to be businesses, and as such, the sales could be subject to GST. A full review of the GST was not conducted, so we are unable to determine if the Charity is meeting its obligation with respect to charging and collecting GST.

As part of the audit process, a referral has been made to the GST audit division at the Hamilton TSO.

**Conclusion:**

For each of the reasons listed above, it appears that there are grounds to revoke The Dominion Christian Centre of Canada'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* 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.

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.

Yours truly,

D. Dz.

Jim Dozois
Audit

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