



CANADA REVENUE
AGENCY AGENCE DU REVENU
DU CANADA

OCT 25 2007

REGISTERED MAIL

Power of Prayer Ministry-Brampton
144 Kennedy Road
South Unit #11
Brampton, ON
L6W 3G4

BN: 873858310RR0001
File #: 3018865

Attention: Mr. Edward Yawson

**Subject: Notice of Intent to Revoke
 Power of Prayer Ministry-Brampton**

Dear Mr. Yawson

I am writing further to our letter dated May 4, 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 Power of Prayer Ministry-Brampton (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA").

We have reviewed your written responses of June 16, 2007 and September 18, 2007. You will find our comments in Appendix "A" attached.

Consequently, for each of the reasons mentioned in our letter dated May 4, 2007, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) of the ITA, and delegated to me, I propose to revoke the registration of the Charity. By virtue of subsection 168(2) of the ITA, the revocation will be effective on the date of publication in the *Canada Gazette* of the following notice:

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(d) and 168(1)(e) of the Income Tax Act, that I propose to revoke the registration of the organization listed below under subsection 149.1(2), of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.

Business Number
873858310RR0001

Name
Power of Prayer Ministry-
Brampton
Brampton, Ontario

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
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 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, the Charity may be subject to tax pursuant to Part V, section 188 of the ITA. 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 T2046 "*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 "B" 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 Charity will no longer qualify as a charity or public institution for purposes of subsection 123(1) of the *Excise Tax Act* (hereinafter, the ETA), effective the date of revocation. As a result it may be subject to obligations and entitlements under the ETA that apply to organizations other than charities or public institutions. If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-800-959-8287.

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 May 4, 2007
- Your letter dated June 16, 2007
- Appendix "A", Our response to your letter of June 16, 2007
- Appendix "B", Relevant provisions of the *Income 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

APPENDIX "A"

RESPONSE TO REPRESENTATION OF JUNE 16, 2007

Books and Records

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

- (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."

The audit revealed that the Charity did not maintain adequate books and records. There was a lack of source documentation to support revenue or expenditures. The Charity failed to provide any invoices, third-party receipts or other like documentation. There were no books of original entries and it was not possible to verify any of the amounts appearing in the information return.

The Charity had to go to the company (Alpha Accounting Services) that prepared its T3010 in order to retrieve what documentation it could to support its total monthly expenditures. What was provided to the auditor was information that was recorded on blank generic invoices showing the same monthly amounts for each class of expenditures.

The Charity had reported total revenue received as \$646,628 (tax-receipted of \$581,482) and \$630,704 in 2003 and 2004, respectively. The bank deposit analysis indicated that the total cash deposited was approximately \$30,000 over these two years. The Charity stated that the cash was kept on the premises or given to visiting pastors to take back to Ghana.

The Charity stated that donations of both cash and non-cash items were received. The donation receipts issued had only provided the amount being receipted and did not differentiate between cash and non-cash gifts. The pastor could not recall what the allocation was between the cash and the gifts-in-kind and stated that he believed most of the non-cash gifts were household items.

The Charity's T3010's for 2003 and 2004 reported that no tax-receipts were issued for non-cash donations.

The Charity indicated that its overseas programs in Ghana were funded by both cash and donated goods, which were passed on to visiting pastors or were shipped to Ghana. The Charity indicated overseas expenditures were \$243,120 in 2003 and \$186,022 in 2004. These amounts could not be supported due to a lack of documentation.

The Charity stated that two pastors would visit Canada during three or four different months of the year and would carry the cash back with them to Ghana. There was no documentation to support what amounts were transferred out of Canada and no indication that declarations were made at the border with respect to these amounts.

The Charity had claimed shipping costs of \$10,920 in 2003 and \$16,848 in 2004. There was no documentation to support what goods, if any, were shipped overseas.

The information returns for 2003 and 2004 were completed incorrectly. Most notable are the following omissions:

- The Charity indicated that it had not undertaken any foreign activities in either 2003 or 2004.
- The Charity had not indicated the amount of non-cash items for which it had issued donation receipts in 2003 or 2004.
- The Charity had not indicated that it had made expenditures on programs outside of Canada in 2003 or 2004.

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*.

The Charity stated in their response of June 16, 2007 that they would hire professionals to handle their books, ensure that receipts are received for all purchase transactions, endeavour to deposit its revenue and use cheques for major purchases.

Official Donation Receipts

Official receipts issued did not meet the requirements as set out in *Regulation 3501*. The official receipts lacked the donors' addresses as well as identification of donations that were gifts-in-kind. The auditor noted that the total receipts reported for 2004 did not reconcile to the listing provided.

The Charity indicated that the copy of receipt #A043 forwarded to the auditor was not issued by the Charity and was a forgery.

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)(d) of the *Act* because the registered charity has issued a receipt for a gift or donation otherwise than in accordance with the *Act* and the regulations or that contains false information.

The Charity stated in their response of June 16, 2007 that they would now reconcile all donation receipts with recorded revenue and issue donation receipts that comply with the CRA's regulations.

Foreign Activities

The Charity stated that it had conducted charitable programs outside of Canada with expenditures of \$243,120 and \$186,022 in 2003 and 2004, respectively, for missionary work and the purchase of land. As previously noted, this funding had comprised both cash and donated items.

The Charity lacked documentation to substantiate the activities it stated were undertaken. No documentation was provided to support the activities reported. The Charity was therefore not able to substantiate that they were devoting their resources to charitable activities. The Charity had conducted the overseas activities without an agency agreement. Visiting pastors received gifts and funds to be used in these overseas activities without supporting documentation as to what was given or what the intended use was to be.

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*.

The Charity stated in their letter of June 16, 2007 that: an agency agreement is being prepared, future documentation will be made available to the Agency and financial support for visiting pastors will be stopped. Also, that they would make available documents regarding the purchase of land in Ghana.

In addition to the above response, the Charity submitted the following documentation on September 18, 2007: An indenture detailing the size and cost of land, as well as lease terms, site plan, building plans for a proposed church complex and a video clip of the site. Please note that the documentation for the lease of the land was dated October 20, 2006, which is outside the audit period.

Information Slips

The audit revealed that the Charity had paid the pastor Edward Yawson \$19,200 in 2003 and \$24,000 in 2004. The individual was issued a T4 from the Charity for \$6,400 in 2004 and none in 2003.

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.

The Charity stated in their letter of June 16, 2007 that they would issue an amended T-4 to cover the balance indicated in the financial statement, which to date has not been done.

Conclusion:

The information returns had indicated that Alpha Accounting Services was used to prepare the Charity's T3010's since 2001. Given the condition of the books and records when their professional service was used, the representation that professionals would be used to handle the books and records does not provide assurance that this issue of non-compliance will be remedied. We have noted that the representation had not mentioned the name of the professionals that would provide the service.

On the issue of foreign activities, the agency agreement was not provided for the auditor to review and no specific controls have been proposed to demonstrate that direction and control of the assets are to be retained by the Charity. Given the significant amounts involved in the foreign programs, we are of the view that this would have been an important first step to be undertaken.

We have noted the Charity's proposed action to send amended T4 slips to Edward Yawson. To date, the auditor noted that the Charity has not issued information slips to reflect the amounts paid to him by the Charity.

In conclusion, we are of the position that the Charity has not demonstrated that its proposed actions are sufficient to address the issues of non-compliance as determined during the course of the audit.



REGISTERED MAIL

Power of Prayer Ministry-Brampton
29 Woodsend Run
Brampton, ON
L6Y 4G8

Attention: Mr. Edward Yawson

BN: 873858310RR0001
File #: 3018865

May 4, 2007

Subject: Audit of Power of Prayer Ministry-Brampton

Dear Mr. Edward Yawson:

This letter is further to the audit of the books and records of The Power of Prayer Ministry-Brampton (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, 2004.

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.	Charitable Activities & Objectives	168(1)(b)
3.	Official Donation Receipts	Regulation 3501, 168(1)(d)
4.	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:

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 or designated at an address in Canada recorded with the Minister or designated by the Minister.

- (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".

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.

We found during the audit that the Charity's stated expenditures and revenues lacked proper documentation. The Charity failed to provide any invoices, 3rd party receipts or other documentation to support their disbursements. As well, there was no disbursement or revenue journal used to record expenses and cash received.

Financial control over donation revenues was absent, as the Charity generally did not use bank accounts to safeguard or control cash donations. Total revenue received for 2003 and 2004 was \$639,104 and \$646,628 respectively, while total cash receipts deposited for the 2003/04 years totalled \$30,519.

The Charity kept no record to distinguish and account for, the amount of funds and gifts in kind received. The Charity allegedly kept cash on the premises, used cash to pay some expenses, and gave most to visiting pastors to deliver to Ghana for purposes of carrying on with their charitable activities without keeping receipts of what given.

Charitable Activities & Objectives

A Canadian charity carrying out its activities through an agent or like person should ensure that its funds are safeguarded and books and records are kept relating to the expenditures on behalf of the charity. These records should include details on exactly how the agent carried out the instructions of the charity and how they used the Charity's resources.

CRA found that the charity had no agency agreement in place for the purchase of land or the transporting of cash and goods to Ghana. Expenditures for charitable overseas programs for the years 2003 and 2004 were \$243,120 and \$186,022 respectively. A combination of cash and gifts-in-kind were either given to visiting pastors or shipped overseas to Ghana for charitable activities. The Charity kept no record to outline exactly what resources were used and their charitable purpose.

The individual pastors receiving the funds and gifts are not registered Canadian charities. They were not agents or employees of the charity. As such, the gifting was made to non-qualified donees and is considered a gift of private benevolence. The ITA does not provide tax relief for donations to such persons and these donations are in contravention of the terms of the charitable registration that your organization was granted.

Official Donation Receipts

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

- o The total reported donation receipts for 2003 was \$ 581,482 while the actual amount issued was \$646,628 a difference of \$65,146.

- o The total reported donation receipts for 2004 was \$630,704 while the actual total receipts as per our calculation was \$645,244. The Charity subsequently provided a revised listing of \$639,104. This exceeded the initial reported amount by \$8,400.
- o Receipt #A043 was not recorded by the Charity, but appears to be similar to other receipts issued. The Charity claimed that they had not issued the receipt.
- o There was no donor's address indicated on the receipt.
- o The receipts did not distinguish between cash donated or gifts in kind. All receipts showed a dollar value indicating a cash donation.

Remuneration & Benefit Reporting

The Charity did not issue T-4 information slips for all of the income received by pastor Yawson. This totalled \$19,200 in 2003 and \$17,600 in 2003. A T4 was only issued for the 2004 year for \$6,400, although the pastor had received \$24,000 in taxable income for that year.

Conclusion:

Please provide your written representations and any additional information regarding the findings outlined above **within 30 days from the date of this letter**. After considering the representations submitted by the Charity, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include the issuance of a Notice of Intention to Revoke the registration of the Charity in the manner described in subsection 168(1) of the ITA. Should you choose not to respond, the Director General of the Charities Directorate may proceed with the issuance of a Notice of Intention to Revoke the registration of the Charity in the manner described in subsection 168(1) of the ITA.

If you appoint a third party to represent you in this matter, please send us a written authorization naming the individual and explicitly authorizing that individual to discuss your file with us.

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

Yours truly,

N. Swietlinski
Audit Division

Telephone: (416) 410-9407
Fax: (416) 954-6015
Address: 1 Front Street West, Suite 100
Toronto ON M5J 2X6
Internet: : www.cra-arc.gc.ca/charities/

Enclosure:
-Appendix "1", Relevant provisions of the Income Tax Act