



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

REGISTERED MAIL

The Redemption Power International Ministry
30 Beverly Hills Drive
Toronto ON M6N 3R3

Your file / Votre référence

Our file / Notre référence
86153 7595 RR0001

Attention: Pastor Baiden Sarpong

March 27, 2006

Dear Sir:

Re: Registered Charity Audit

This letter is further to an audit of the books and records of account of Redemption Power International Ministry (the "Organization"). The audit related to the operations of the Organization for its fiscal period ended December 31, 2002.

The audit has raised concerns about the Organization'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*.

Canada

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 Organization 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 nature of the expenditures as reported by the Organization.

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 it fails to comply with or contravenes any of sections 230 to 231.5 of the *Act* dealing with books and records.

Activities Outside of Canada

The Organization did not retain the documentation necessary to demonstrate that it maintained control and direction over the funds it claims were expended to support missionary activities conducted outside of Canada. No agency agreements were provided to establish how the monies transferred to individuals outside of Canada were used to advance the charitable activities of the Organization. Some documents that were provided to support money transfers appeared to be duplicated and/or altered.

In accordance with subsection 149.1(1) of the *Act* a charitable organization is defined as an organization all the resources of which are devoted to charitable activities carried on by the organization itself. A charitable organization may conduct these activities outside of Canada but must demonstrate that they maintain control over the resources that leave Canada.

Some general guidelines that should be used to demonstrate control over resources are:

1. The organization must demonstrate that it obtained reasonable assurance before entering into agreements with individuals or other organizations that they are able to deliver the services required by the organization (by virtue of the reputation, expertise, years of experience, etc.).
2. The organization must demonstrate that all resources expended will further the Canadian charity's formal purposes and constitute charitable activities that the Canadian charity carries on itself.
3. The organization must demonstrate that an adequate agreement is in place. We recommend a written agreement containing at least the following elements:

- Names and addresses of all parties.
- The duration of the agreement or the deadline by which the project(s) must be completed.
- A description of the specific activities for which funds or other resources have been transferred, in sufficient detail to outline clearly the limits of the authority given to the recipient to act for the Canadian organization or on its behalf.
- Provision for written progress reports from the recipient of the Canadian organization's funds or other resources, or provision for the organization's right to inspect the project on reasonably short notice, or both.
- Provision that the Canadian organization will make payments by instalments based on confirmation of reasonable progress and that the resources provided to date have been applied to the specific activities outlined in the agreement.
- Provision for withdrawing or withholding funds or other resources at the Canadian organization's discretion.
- Provision for maintaining adequate records at the organization's address in Canada.
- In the case of agency agreements, provision for the Canadian organization's funds and property to be segregated from those of the agent and for the agent to keep separate books and records.
- The signature of all parties, along with the date.

4. The organization provides periodic, specific instructions to individuals or organizations as and when appropriate.
5. The organization regularly monitors the progress of the project(s) or program(s) and can provide satisfactory evidence of this.
6. Where appropriate, the organization makes periodic payments on the basis of this monitoring (as opposed to a single lump sum payment) and maintains the right to discontinue payments at any time if it is not satisfied.

In has been determined by the review that the Organization was unable to demonstrate they maintained control over the resources sent outside of Canada.

Official Donation Receipts

As indicated above, subsection 230(2) of the *Act* requires that a registered charity must keep a duplicate of each receipt containing prescribed information for a donation received by it. The Organization has not been able to provide copies of at least 1001 donation receipts. The receipts that were submitted totalled to only \$396,862, an amount that represents only a portion of the \$987,338 reported on the Organization's information return filed for the 2002 fiscal period.

The receipts the Organization was able to provide are not compliant with Regulation 3501 of the *Act* that states:

Every official receipt issued by a registered organization shall contain a statement that it is an official receipt for income tax purposes and shall show clearly in such a manner that it cannot be readily altered,

- (a) *the name and address in Canada of the organization as recorded with the Minister;*
- (b) *the registration number assigned by the Minister to the organization;*
- (c) *the serial number of the receipt;*
- (d) *the place or locality where the receipt was issued;*
- (e) *where the donation is a cash donation, the day on which or the year during which the donation was received;*
- (e.1) *where the donation is a gift of property other than cash*
 - (i) *the day on which the donation was received,*
 - (ii) *a brief description of the property, and*
 - (iii) *the name and address of the appraiser of the property if an appraisal was done.*

The appraisal information or invoice should be attached to the receipt and should include:

- date of appraisal
- description of the asset appraised
- the appraised(fair market) value of the item
- the name of the appraiser
- the address of the appraiser; and
- the signature of the appraiser

- (f) *the day on which the receipt was issued where that day differs from the day referred to in paragraph (e) or (e.1);*
- (g) *the name and address of the donor including, in the case of an individual, his first name and initial;*
- (h) *the amount that is*
 - (i) *the amount of a cash donation, or*
 - (ii) *where the donation is a gift of property other than cash, the amount that is the fair market value of the property at the time the gift was made; and*
- (j) *the signature, as provided in subsection (2) or (3), of a responsible individual who has been authorized by the organization to acknowledge donations.*

T4/T4A Slips Not Issued for Remuneration

A review of the general ledger provided indicates that individuals associated with the Organization have received remuneration in the form of cash and/or property as compensation for their involvement with the Organization. The general ledger indicates that this remuneration was given a total value of \$65,590. However, no information slips have been issued as required. An organization must complete T4 slips to report the following:

- salary, wages (including pay in lieu of termination notice), tips or gratuities, bonuses, vacation pay, employment commissions, and all other remuneration paid to employees during the year;
- taxable benefits or allowances;
- deductions withheld during the year; and
- pension adjustment (PA) amounts for employees who accrued a benefit for the year under your registered pension plan (RPP) or deferred profit-sharing plan (DPSP).

An organization has to complete T4 slips for all individuals who received remuneration from them during the year if:

- you had to deduct CPP contributions, EI premiums, or income tax from the remuneration; or
- the remuneration was \$500 or more.

An organization has to complete a T4A slip if they made payments if:

- the payment was more than \$500; or
- tax was deducted from the payment.

Conclusion

For each of the reasons indicated above, it appears to us that there are grounds for revocation of the Organization'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 *Act* unless, in the opinion of the Director of the applicable Tax Services Office, it qualifies 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*.

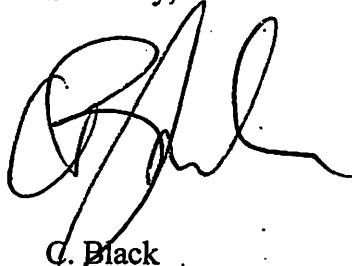
For your reference, we have attached a copy of the relevant provisions of the *Income Tax Act* concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation.

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 Redemption Power International Ministry 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 Organization'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.

Sincerely,



C. Black
Verification and Enforcement Division

Telephone: (416) 218-0961
Fax: (416) 973-2796

Address: 5001 Yonge Street
Toronto ON M2N 6R9

Enclosure



MAR 16 2007.

BY REGISTERED MAIL

The Redemption Power International Ministry
30 Beverly Hills Drive, Unit 6
Toronto, Ontario M3L 1A1

Attention: Reverend Baiden Sarpong, Senior Pastor

BN: 86153 7595 RR 0001

SUBJECT: Notice of Intention to Revoke
The Redemption Power International Ministry

Dear Reverend Sarpong:

I am writing further to our letter dated March 27, 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 The Redemption Power International Ministry (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA"). A copy of our March 16, 2005 letter is also attached for your information.

We have reviewed the supporting documentation provided on your behalf from your authorized representative, Mr. Sidney Klotz, and have considered the explanatory notes within. A detailed account of our review of the supporting documentation provided is contained in Appendix "A" attached.

After careful review of the explanatory notes included in the supporting documentation of June 22, 2006, it is our conclusion that they do not provide sufficient reasons why the Charity's status as a registered charity should not be revoked. The audit conducted by the Canada Revenue Agency (the "CRA") had identified that the Charity failed to maintain control and accountability over its funds transferred outside of Canada, failed to maintain adequate records to support the information reported on the Registered Charity Information Return (T-3010) and it failed to maintain duplicate copies of issued official donation receipts. Official donation receipts reviewed by CRA did not comply with ITA Regulation 3501, were issued to acknowledge items purchased and were issued to acknowledge pledges. The representations failed to specify the criteria necessary to maintain control and accountability of the funds expended as well as documentation that would have enabled the Charity to demonstrate that they have devoted their resources to charitable activities. Additionally, the documentation provided in response to our March 27, 2006 letter could not be reconciled to the previously submitted documentation indicating money transferred outside Canada. The representations fail to detail the specific changes to be made by the Charity to ensure that adequate

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books and records are maintained, official donation receipts issued comply with Regulation 3501 and that all resources of the Charity are devoted to charitable activities inside and outside Canada.

Consequently, for each of the reasons mentioned in our letter dated March 27, 2006, 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) and paragraph 149.1(2)(b) of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.

Business Number	Name
86153 7595 RR 0001	The Redemption Power International Ministry Toronto, 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
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

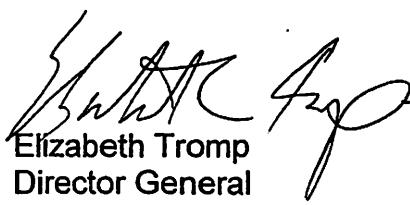
As of the date of revocation of the registration of the Charity, which is the date upon which the above-noted notice is published in the *Canada Gazette*, the Charity will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts**.

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 "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.

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 "C". 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,



Elizabeth Tromp
Director General
Charities Directorate

Attachments

- CRA's letters dated March 27, 2006 and March 16, 2005
- Appendix "A", Comments on representations
- Appendix "B", Relevant Provisions of the *Income Tax Act*;
- Appendix "C", Relevant Provisions of the *Excise Tax Act*;
- Form T-2046, *Tax Return Where Registration of a Charity is Revoked*;
- Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*.



REGISTERED MAIL

Reverend Baiden Sarpong
The Redemption Power
International Ministry
30 Beverly Hills Drive
Toronto ON
M3L 1A1

BN 861537595 RR 0001

March 16, 2005

Dear Reverend Sarpong,

Re: Registered Charity Audit – The Redemption Power International Ministry

This letter is further to an audit of the books and records of account of The Redemption Power International Ministry (the “Charity”). The audit related to the operations of the Charity for its fiscal periods ending December 31, 2001 and December 31, 2002.

The audit has raised concerns about the Charity’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 or designated by 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 to enable the CRA to verify the accuracy of reported information through the conduct of audits.

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Fax: (416) 973-2796

Télécopieur: (416) 973-2796

Toronto North
Tax Services Office
5001 Yonge St
North York, ON
M2N 6R9

Bureau des services fiscaux de
Toronto Nord
5001, rue Yonge
North York, On
M2N 6R9

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

- (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*.

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.

Through our review of the documentation submitted we have found that the Charity did not maintain such books of account and that the support of revenue and expenditures was incomplete or non-existent. We also found the internal controls supporting these records to be inadequate. As a result, we were unable to verify the revenue received by the Charity or the expenses incurred.

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

Conclusion

For 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*;
- 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 as outlined above, or if you wish to present reasons why the Minister of National Revenue should not revoke the registration of the Redemption Power International Ministry 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 Charity's file with us.

If you require further information, clarification, or assistance, please contact the undersigned at the address or telephone number found at the bottom of page one of this letter.

Sincerely,

Chris Black
Verification And Enforcement Division

Enclosures