



January 11, 2022

REGISTERED MAIL

Mavis Halliday
Treasurer
Universal Educational Institute of Canada
3000-8882 170 Street
Edmonton AB T5T 4M2

BN: 139482715 RR0001
File #: 0956789

Dear Mavis Halliday:

**Subject: Notice of Penalty
Universal Educational Institute of Canada**

We are writing further to our letter dated April 10, 2019 (copy enclosed), in which you were invited to submit representations as to why the Canada Revenue Agency (CRA) should not assess a penalty on Universal Educational Institute of Canada (the Organization) in accordance with section 188.1 of the Income Tax Act.

We have reviewed and considered your written response dated June 5, 2019, and the following is our response to the matters raised in your letter. Notwithstanding the representations that the Organization submitted to us, for each of the reasons mentioned in our letter dated April 10, 2019, we will assess a penalty against the Organization pursuant to paragraph 188.1(4)(a), subsection 188.1(7), and regulation 3501 of the Act for conferring undue benefits and for issuing donation receipts with incorrect information.

Failure to devote resources to charitable activities - Providing undue benefits

The audit by the CRA was for the Organization's fiscal periods from August 31, 2013 to August 31, 2016. As discussed in our letter of April 10, 2019, the audit revealed that the Organization forgave a \$92,000 loan¹ that had previously been made to employees [REDACTED] and [REDACTED]. At the time of the above letter, it was our opinion that by forgiving this receivable, the Organization had conferred an undue benefit to the [REDACTED].

According to the representations, the Organization had concerns that the CRA had not applied subsection 188.1(4) properly. The Organization's representations articulated its opinion that the accounts receivable write downs and forgiven debt do not represent an undue benefit for the following reasons:

¹ For additional detail about this loan, please refer to the enclosed letter dated April 10, 2019.

² [REDACTED] will be collectively referred to as "[REDACTED]" for the remainder of this letter.

- The Organization was involved with regular discussions with the [REDACTED] and it was apparent that the [REDACTED] did not have sufficient resources to repay the outstanding receivable.
- [REDACTED] is not related to the Organization and is dealing with the Organization at an arm's length basis as an employee.
- [REDACTED] is a valuable employee of the religious school operated by the Organization, and is instrumental to its success. It was decided that additional compensation would not be unreasonable for the services provided, and given the inability of the [REDACTED] to pay the outstanding receivable, the Organization agreed to forgo the collection of the amounts, and decided instead to include the amounts as income for both [REDACTED].
- The additional compensation was in the nature of reasonable compensation for services performed, and was not intended to confer a benefit.
- It was believed by the Organization that more formal efforts to obtain the outstanding receivable would have had a severe negative impact on the school as it would not be consistent with the religious tenets of the school, which could severely impact donations and student enrolment.

CRA's response

The [REDACTED] financial position

In its representations, the Organization stated that regular conversations were held with the [REDACTED] in regards to their increasingly challenging financial position; however, there was no documentation maintained or provided to support any of the discussions that the Organization had with the [REDACTED] to make this determination.

Furthermore, regardless of the [REDACTED] financial position, we still maintain that the forgiveness of their combined debt of \$92,000 confers an undue benefit on the [REDACTED]. According to subsection 188.1(5) of the Act, the definition of undue benefits include gifts to non-qualified donees unless the gifts in question could be considered "a charitable act in the ordinary course of the charitable activities carried on by the charity". In this case, the Organization has argued that it has forgiven a debt as the borrower (the [REDACTED]) was not financially capable of repaying the debt.

We remain of the opinion that the forgiveness of debt is considered an undue benefit as the [REDACTED] is not a qualified donee, nor was the act of forgiving the Barak family's debt a charitable act that was made in the ordinary course of the Organization's charitable activities³.

Relationship between the Organization and the [REDACTED]

In its representations, the Organization stated that [REDACTED] was not related to the Organization and was dealing at an arm's length basis as an employee. According to

³ According to information gathered in the audit, the Organization has two primary activities: operating a Kollel and operating a Jewish school.

subsection 188.1(5), an undue benefit includes a disbursement (from a charity) by way of gift. As such, the gift can be made to a person who does not deal with the charity at arm's length or to a person who is the beneficiary of a transfer because of a special relationship with a charity. Accordingly, we maintain our position that we may consider the assessment of an undue benefit sanction in the current circumstance.

The \$92,000 was reasonable compensation for services provided

In its representations, the Organization claimed that the monetary value of the \$92,000 forgiveness of debt was determined by the Organization's board of directors (the Board) to be in line with reasonable compensation for services that the [REDACTED] had previously provided to the Organization.

According to paragraph 188.1(5)(a), a transaction cannot be considered an undue benefit if the amount "is reasonable consideration or remuneration for property acquired by or services rendered to the charity".

While conceptually one could argue that the Organization forgiving the [REDACTED] debt meets the requirements of paragraph 188.1(5)(a)⁴, we find that the Organization has not provided any additional information to support the services that were performed by either members of the [REDACTED] and to what extent they were valued. For example, no minutes were maintained by the Organization to demonstrate a discussion or approval by the Board to include this amount as compensation for services nor was any services contract produced to corroborate the amount and services rendered.

Further, a written response signed by David Ghermezian and Mavis Halliday was received on February 13, 2018, in response to a query presented in a meeting with [REDACTED] on January 26, 2018, which stated that the explicit reason for the write-off was based on the financial status of the [REDACTED] and their inability to pay the debt currently, or in the future. At that time, there was no mention of the inclusion of the amounts into income for [REDACTED] as being related to compensation for services, but solely related to the fact that, according to the Organization, the [REDACTED] did not appear capable of repaying the debt.

Negative impact of formal collection actions

In its representations, the Organization stated that more formal collection efforts to obtain the \$92,000 would have a severe negative impact on the school as it would not be consistent with the school's religious tenets, and could severely impact donations and student enrolment.

As discussed in our letter dated April 10, 2019, the Organization maintained no meeting minutes and no documentation to demonstrate any previous collection attempts. There was no additional documentation provided in the June 5, 2019, representations to

⁴ I.e., that an amount cannot be considered an undue benefit if the amount paid can be considered to be reasonable consideration or remuneration for property acquired or services rendered to the charity or association.

demonstrate what type of collection efforts would have potentially impacted donations and student enrolment or why the Organization believed these risks existed, nor was any other documentation provided to indicate that the Board was concerned that collection action would be detrimental to the Organization.

As such, we do not accept these representations as reasonable explanations for why the Organization chose not to collect the \$92,000 debt from the [REDACTED]

T4 slips were issued to the [REDACTED] to acknowledge benefit received

In its representations, the Organization claimed that the forgiven \$92,000 loan should not be considered an undue benefit as T4s were issued to the [REDACTED] to represent the amount. As indicated above, the Organization also claimed that it believed that \$92,000 was a reasonable approximation of the value of services that the [REDACTED] provided to the Organization.

While we have verified that employment income reported on the T4 forms filed included the amounts of the forgiven debt for both [REDACTED] and while we concur that this forgiveness of debt should be considered as income to the [REDACTED] as it was a taxable benefit, we do not believe that this changes the fact that the Organization conferred an undue benefit to both [REDACTED] by allowing them to not honour their repayment obligations per the terms of the loan.

As indicated above in the preceding section, the Organization has not provided information to demonstrate the value of the services that the [REDACTED] are purported to have provided to the Organization. Consequently, the application of paragraph 188.1(5)(a) of the Act⁵ to reduce/eliminate the benefit is not warranted.

Therefore, we maintain our position that by forgiving the debt to the [REDACTED] and not providing any evidence of services rendered to mitigate the forgiveness, the Organization conferred an undue benefit to the [REDACTED] totalling the amount of the debt that was outstanding at the time it was forgiven (i.e., [REDACTED] each received an undue benefit of \$46,000).

Issuing receipts not in accordance with the Act

In its representations, the Organization indicated that it concurred with our letter of April 10, 2019, in that it had issued several donation receipts incorrectly as it had not considered the "Cost per Pupil" adjustments as outlined in IC75-23⁶ when it calculated the amounts of the gifts it received from its donors. However, the Organization asked the CRA to not assess a sanction under subsection 188.1(7) of the Act against the value of the incorrect receipts for the following reasons:

- the Organization had no intent to issue incorrect donation receipts;

⁵ Per paragraph 188.1(5)(a) of the Act, an amount (paid by a charity to a person) cannot be considered an undue benefit if the amount is reasonable consideration for services rendered to the charity.

⁶ The full title of this information circular is "IC75-23 Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools".

- the Organization was under the impression that based on conversations with other religious schools its donation receipts were being issued correctly; and,
- once it was informed of the requirements outlined in IC75-23, the Organization changed its receipting process to ensure compliance.

CRA's response

Unlike subsection 188.1(9) of the Act, subsection 188.1(7) does not consider the intent of the Organization when the requirement to issue official donations receipts in accordance to the Act are not met. Rather, in order to assess a subsection 188.1(7) penalty, the only requirement is that official donation receipts were issued for amounts greater than the appropriate values⁷. If applicable, the penalty is assessed against the full amount reported on each incorrect donation receipt and not just the portion of the receipts' values that exceed the appropriate values.

Furthermore, while the Organization may have believed that receipts were issued correctly based on conversations with other religious schools, it remains that the Organization incorrectly issued numerous donation receipts each year. Simply aligning its receipting practices with those of other similar charities (i.e., religious schools) is not adequate enough to demonstrate to us that the Board was exercising the due diligence required to ensure that the Organization's receipting practices were compliant with the Act. If the Organization was unsure of how to reasonably calculate the value of its donation receipts, in lieu of reaching out to other charities, it should have contacted the CRA's Charities Directorate.

We acknowledge that the Organization attempted to correct the receipting process in 2017, and that the Organization has agreed to implement the required changes to address all other non-compliance identified during the audit. This desire and willingness to become compliant was a primary reason behind our decision to assess an intermediate sanction (i.e., subsection 188.1(7)) against the Organization in lieu of considering a revocation of the Organization's charitable status under paragraph 168(1)(b) of the Act.

Consequently, for each of the reasons mentioned in our letter dated April 10, 2019, we will assess a penalty against the Organization pursuant to paragraph 188.1(4)(a) and subsection 188.1(7) of the Act for conferring undue benefits and for issuing donation receipts with incorrect information.

Other non-compliance issues not subject to penalty

In our letter dated April 10, 2019, we raised concerns regarding both the Organization's failure to maintain adequate books and records and also its failure to file accurate Form T3010, Registered Charity Information Returns. While the Organization indicated that it reviewed our letter carefully and has taken our proposals seriously, we did not note any

⁷ The requirement for determining the amount of a donation receipts is listed in paragraphs 3501(1)(h), 3501(1)(h.1) and 3501(1)(h.2) of the Income Tax Regulations.

representations specific to either of these two non-compliance issues. As such, we will not comment further on these issues at this time.

Penalty assessment

The penalties to be assessed by the CRA are calculated as follows:

Fiscal Period Ending	Aug. 31, 2013	Aug. 31, 2014	Aug. 31, 2015	Aug. 31, 2016
Undue benefit – accounts receivable write-off			\$46,000	\$46,000
Sanction as per paragraph 188.1(4)(a)			105%	105%
Total penalty owing per paragraph 188.1(4)(a)			\$48,300	\$48,300
Incorrect information on receipts	\$117,360	\$132,719	\$125,795	\$127,510
Sanction as per subsection 188.1(7)	5%	5%	5%	5%
Total penalty owing per subsection 188.1(7)	\$5,868	\$6,635.95	\$6,289.75	\$6,375.50
Total penalties	\$5,868	\$6,635.95	\$54,589.75	\$54,675.50
Total penalties for all years				\$121,769.20

In accordance with subsection 189(6.3) of the Act, the penalty may be paid to an eligible donee as defined in subsection 188(1.3). An eligible donee in respect of a particular charity is a **registered charity**:

1. of which more than 50% of the members of the board of directors or trustees of the registered charity deal at arm's length with each member of the board of directors or trustees of the particular charity;
2. that is not subject to a suspension of tax-receipting privileges;
3. that has no unpaid liabilities under the Income Tax Act or the Excise Tax Act;
4. that has filed all its information returns; and
5. that is not subject to a security certificate under the Charities Registration (Security Information) Act.

The CRA requires the following documentation to confirm that the eligible donee received the penalty payment:

- a letter addressed to the Director, Compliance Division, (mailed to the address below), signed by an authorized representative of the eligible donee, confirming the penalty payment was received and the amount paid; and
- a copy of either the cancelled cheque or evidence of a non-cash transfer.

Should the Organization choose instead to make a payment to the CRA, please make the cheque payable to the Receiver General for Canada and mail it to:

Director
Compliance Division
Charities Directorate
Canada Revenue Agency
320 Queen Street, 2nd Floor
Ottawa ON K1A 0L5

Please note that in accordance with subsection 149.1(1.1) of the Act, the penalty payment made to an eligible donee shall not be deemed to be an amount expended on charitable activities nor a gift made to a qualified donee.

Failure to pay this penalty amount or make arrangements for payment will result in the CRA reconsidering its decision not to proceed with the issuance of a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

If you have any questions or require further information or clarification regarding the penalty payment, please contact Phil Thompson at 613-670-9517.

Appeal process

Should you wish to appeal this notice of penalty in accordance with subsection 165(1) of the Act, a written notice of objection, which includes the reasons for objection and all relevant facts, must be filed **within 90 days** from the mailing of this letter. The notice of objection should be sent to:

Assistant Commissioner
Appeals Intake Centre
Post Office Box 2006, Station Main
Newmarket ON L3Y 0E9

Public notice

By virtue of paragraph 241(3.2)(g) of the Act, the following information relating to the Organization's penalty assessment will be posted on the Canada.ca/charities-giving website:

Penalty

Effective date of penalty:	January 11, 2022
Reason for penalty:	Undue benefits
Amount of penalty:	\$96,600
Income Tax Act reference:	188.1(4)(a)

Effective date of penalty:	January 11, 2022
Reason for penalty:	Incorrect information on receipts
Amount of penalty:	\$25,169.20
Income Tax Act reference:	188.1(7)

We trust the foregoing fully explains our position.

Yours sincerely,



Tony Manconi
Director General
Charities Directorate

Enclosures

- CRA letter dated April 10, 2019
- Organization's response of June 5, 2019
- Notice of assessment – Fiscal year ends 2013, 2014, 2015 & 2016

cc: Nader Ghermezian, Vice President



April 10, 2019

REGISTERED MAIL

Mavis Halliday
Treasurer
Universal Educational Institute of Canada
3000-8882 170 Street
Edmonton AB T5T 4M2

BN: 139482715 RR0001
File #: 0956789

Dear Mavis Halliday:

Subject: Audit of Universal Educational Institute of Canada

This letter results from the audit of the Universal Educational Institute of Canada (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period of September 1, 2013, to August 31, 2016.

The CRA has identified specific areas of non-compliance with the provisions of the Income Tax Act and its Regulations in the following areas:

AREAS OF NON-COMPLIANCE		
	Issue	Reference
1.	Failure to devote resources to charitable activities - Providing undue benefits	149.1(2), 168(1)(b), 188.1(4), 188.1(5)
2.	Issuing receipts not in accordance with the Act	149.1(2), 168(1)(d), 188.1(7), Reg. 3501
3.	Failure to maintain adequate books and records	149.1(2), 230(2), 168(1)(b), 168(1)(e), 188.2(2)(a)
4.	Failure to file an accurate T3010, Registered Charity Information Return	168(1)(c), 188.2(2.1)
5.	Failure to devote resources to charitable activities - Fundraising	149.1(2), 168(1)(b)
6.	Failure to comply with the requirements of the Act as they apply to the Organization's designation	149.1(1), 168(1)(b)

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements applicable to registered charities, and which may be subject to sanctions under the Act. The Organization will also be provided with the opportunity to make representations or present additional information as to why a sanction should not be applied.

Registered charities must comply with the law, failing which penalties and/or suspensions may be applicable pursuant to sections 188.1 and/or 188.2 of the Act. These include suspension of

the Organization's authority to issue official receipts and suspension of its status as a "qualified donee." While the purpose of a sanction is to provide an alternative to revocation, notice may still be given of our intention to revoke the registration of the Organization by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

The balance of this letter describes the identified areas of non-compliance and the sanctions proposed in further detail.

General legal principles

In order to maintain charitable registration under the Act, Canadian law requires that an organization demonstrate that it is constituted exclusively for charitable purposes (or objects), and that it devotes its resources to charitable activities carried on by the organization itself in furtherance thereof.¹ To be exclusively charitable, a purpose must fall within one or more of the following four categories (also known as "heads") of charity² and deliver a public benefit:

- relief of poverty (first category);
- advancement of education (second category);
- advancement of religion (third category); or
- certain other purposes beneficial to the community in a way the law regards as charitable (fourth category).

It is important to note that not all endeavours that directly or indirectly benefit the community are necessarily charitable at law. While an activity may be considered benevolent, it is not necessarily considered charitable at law, and therefore an unacceptable activity for a charitable foundation to pursue.

The public benefit requirement involves a two-part test:

- The first part of the test requires the delivery of a **benefit** that is recognizable and capable of being proved, and socially useful. To be recognizable and capable of being proved, a benefit must generally be tangible or objectively measurable. Benefits that are not tangible or objectively measurable must be shown to be valuable or approved by "the common understanding of enlightened opinion for the

¹ See subsection 149.1(1) of the Act, which requires that a charitable organization devote all of its resources to "charitable activities carried on by the organization itself" except to the extent that an activity falls within the specific exemptions of subsections 149.1(6.1) or (6.2) of the Act relating to political activities, and *Vancouver Society of Immigrant and Visible Minority Women v. Minister of National Revenue*, [1999] 1 S.C.R. 10 (*Vancouver Society*) at paras. 155-159. A registered charity may also devote resources to activities that, while not charitable in and of themselves, are necessary to accomplish their charitable objectives (such as expenditures on fundraising and administration). However, any resources so devoted must be within acceptable legal parameters and the associated activities must not become ends in and of themselves.

² The Act does not define charity or what is charitable. The exception is subsection 149.1(1) which defines charitable purposes/objects as including "the disbursement of funds to qualified donees." The CRA must therefore rely on the common law definition, which sets out four broad categories of charity. The four broad charitable purpose/object categories, also known as the four heads of charity, were outlined by Lord Macnaghten in *Commissioners for Special Purposes of the Income Tax v. Pemsel*, [1891] A.C. 531 (PC) (*Pemsel*). The classification approach was explicitly approved of by the Supreme Court of Canada in *Guaranty Trust Co. of Canada v. Minister of National Revenue*, [1967] S.C.R. 133, and confirmed in *Vancouver Society*, supra note 2.

time being.”³ In most cases, the benefit should be a necessary and reasonably direct result of how the purpose will be achieved and of the activities that will be conducted to further the purpose, and reasonably achievable in the circumstances.⁴ An “assumed prospect or possibility of gain” that is vague, indescribable or uncertain, or incapable of proof, cannot be said to provide a charitable benefit.⁵

- The second part of the test requires the benefit be directed to the **public** or a sufficient section of the public. This means a charity cannot:
 - have an eligible beneficiary group that is negligible in size, or restricted based on criteria that are not justified based on the charitable purpose(s); or
 - provide an unacceptable private benefit. Typically, a private benefit is a benefit provided to a person or organization that is not a charitable beneficiary, or to a charitable beneficiary that exceeds the bounds of charity. A private benefit will usually be acceptable if it is incidental, meaning it is necessary, reasonable, and not disproportionate to the resulting public benefit.⁶

The question of whether an organization is constituted exclusively for charitable purposes cannot be determined solely by reference to its stated purposes, but must take into account the activities in which the organization currently engages. In *Vancouver Society of Immigrant and Visible Minority Women v. Minister of National Revenue*,⁷ the Supreme Court of Canada stated as follows:

“But the inquiry cannot stop there. In *Guaranty Trust*, supra at p.144, this Court expressed the view that the question of whether an organization was constituted exclusively for charitable purposes cannot be determined solely by reference to the objects and purposes for which it was originally established. It is also necessary to consider the nature of the activities presently carried on by the organization as a potential indicator of whether it has since adopted other purposes. In other words, as Lord Denning put it in *Institution of Mechanical Engineers v. Cane*, [1961] A.C. 696 (H.L.), at p. 723, the real question is, “for what purpose is the Society at present instituted?”

³ See, generally, *Vancouver Society*, supra note 2 at para. 41 per Mr. Justice Gonthier (dissenting in the result); *Gilmour v. Coats et al*, [1949] 1 All ER 848 (Gilmour); and *National Anti-Vivisection Society v. I.R.C.*, [1947] 2 All ER 217 (HL) (*National Anti-Vivisection Society*) per Lord Wright at p. 224.

⁴ See, for example, *In re Grove-Grady, Plowden v. Lawrence*, [1929] 1 Ch. 557 per Russell L.J. at p.588; *National Anti-Vivisection*, supra note 4 per Lord Wright at p. 49; *I.R.C. v. Oldham Training and Enterprise Council*, [1996] B.T.C. 539 (Oldham); and *Pemsel*, supra note 3 at p.583.

⁵ *National Anti-Vivisection Society*, supra note 4 per Lord Wright at p.49. See also, for example, *In re Shaw decd*, [1957] 1 WLR 729; and *Gilmour*, supra note 4 per Lord Simonds at pp. 446-447.

⁶ See CRA Policy Statement CPS-024, *Guidelines for Registering a Charity: Meeting the Public Benefit Test* for more information about public benefit.

⁷ *Vancouver Society*, supra note 2 at para. 194. See also *A.Y.S.A. Amateur Youth Soccer Association v. Canada (Revenue Agency)* [2007] 3 S.C.R. 217 at para. 42.

A charitable activity is one that directly furthers a charitable purpose, which requires a clear relationship and link between the activity and the purpose. If an activity is, or becomes, a substantial focus of an organization, it may no longer be in furtherance of a stated purpose. Instead, the activity may further, or even form, a separate or collateral purpose. An organization with a collateral non-charitable purpose is ineligible for registration under the Act.

To comply with the requirement that it devote all of its resources to charitable activities carried on by the organization itself; a registered charity may only use its resources (funds, personnel and/or property) in two ways:

- for its own charitable activities - undertaken by the charity itself under its continued supervision, direction and control; and
- for gifting to "qualified donees" as defined in the Act.⁸

A charity's own charitable activities may be carried out by its directors, employees or volunteers, or through intermediaries (a person or non-qualified donee that is separate from the charity, but that the charity works with or through, such as an agent, contractor or partner). If acting through an intermediary, the charity must establish that the activity to be conducted will further its charitable purposes, and that it maintains continued direction and control over the activity and over the use of the resources it provides to the intermediary to carry out the activity on its behalf.⁹

To summarize, the CRA must be satisfied that the Organization's purposes are exclusively charitable in law, and that its activities directly further these charitable purposes in a manner permitted under the Act. In making a determination, we are obliged to take into account all relevant information. Accordingly, the audit inquired into all aspects of the Organization's operations.

Background of the Organization

The Universal Educational Institute of Canada became a registered charitable organization effective January 1, 1993, with the following objects:

- a) To establish an institution or institutions for higher Jewish religious education and learning to stimulate interest in providing higher Jewish education and for the perpetuation of the Orthodox Jewish Religion and the training of teachers; to pursue, develop and advance Jewish scholarship, literature and philosophy, and to establish and maintain a library and to circulate, sell or give away books and periodicals in the advancement of its purposes;

⁸ A "qualified donee" means a donee described in subsection 149.1(1) of the Act. As per subsection 149.1(6)(b), a charitable organization shall be considered to be devoting its resources to charitable activities carried on by it to the extent that, in any taxation year, it disburses not more than 50% of its income for that year to qualified donees.

⁹ For more information, see CRA Guidance CG-002, Canadian Registered Charities Carrying Out Activities Outside Canada and Guidance and CG-004, Using an Intermediary to Carry Out a Charity's Activities Within Canada.

- b) To receive, acquire and hold gifts, donations, devices and bequests and to collect money from the public and to receive gifts and legacies to be used for the foregoing objects;
- c) The Society shall be carried on without the purpose of gain by its members and any profits or any other accretions to the Society shall be used in promoting its objects;
- d) Upon dissolutions of the Society and after the payment of all debts and liabilities, its remaining property shall be distributed or disposed of to charitable organizations which carry on their work solely in Canada;
- e) The Members shall serve as such without remuneration and no Member shall directly or indirectly receive any profit from his position as such; provided that a Member may be paid reasonable expenses incurred by him in the performance of his duties.

The Organization operates the Edmonton Menorah Academy, which is an Alberta accredited private school, as well The EDJGE (Edmonton Jewish General Education), which is a Kollel in Edmonton.

Areas of Non-Compliance Where Sanctions May Apply

1.) Failure to devote resources to charitable activities - Providing undue benefits

The meaning of "undue benefit" with respect to charities is clarified in subsection 188.1(5) of the Act:

"an undue benefit conferred on a person (referred to in this Part as the "beneficiary") by a registered charity or registered Canadian amateur athletic association includes a disbursement by way of a gift or the amount of any part of the income, rights, property or resources of the charity or association that is paid, payable, assigned or otherwise made available for the personal benefit of any person who is a proprietor, member, shareholder, trustee or settlor of the charity or association, who has contributed or otherwise paid into the charity or association more than 50% of the capital of the charity or association, or who deals not at arm's length with such a person or with the charity or association, as well as any benefit conferred on a beneficiary by another person, at the direction or with the consent of the charity or association, that would, if it were not conferred on the beneficiary, be an amount in respect of which the charity or association would have a right, but does not include a disbursement or benefit to the extent that it is

- (a) an amount that is reasonable consideration or remuneration for property acquired by or services rendered to the charity or association;
- (b) a gift made, or a benefit conferred,
 - (i) in the case of a registered charity, in the course of a charitable act in the ordinary course of the charitable activities carried on by the charity, unless it can reasonably be considered that the eligibility of the beneficiary for the benefit relates solely to the relationship of the beneficiary to the charity, and

(ii) in the case of a registered Canadian amateur athletic association, in the ordinary course of promoting amateur athletics in Canada on a nationwide basis; or

(c) a gift to a qualified donee.”

An undue benefit is conferred on an individual by a charity when the recipient, being a member of that charity, receives a personal benefit as a result of any transaction that is deemed to not be conducted at arm's length. The term “arm's length” is clarified in subsection 251(1) of the Act and identifies who qualifies as being such:

- (a) related persons shall be deemed not to deal with each other at arm's length;
- (b) a taxpayer and a personal trust (other than a trust described in any of paragraphs (a) to (c.1) of the definition “trust” in subsection 108(1)) are deemed not to deal with each other at arm's length if the taxpayer, or any person not dealing at arm's length with the taxpayer, would be beneficially interested in the trust if subsection 248(25) were read without reference to sub clauses 248(25)(b)(iii)(A)(II) to (IV); and
- (c) in any other case, it is a question of fact whether persons not related to each other are, at a particular time, dealing with each other at arm's length.

The CRA provides further clarification of its interpretation of “arm's length” and transactions deemed as being arm's length in its publication IT419R2 – Meaning of Arm's Length. Paragraphs 22 through 26 of this document discuss circumstances and criteria that are applicable to unrelated persons who may be deemed to be dealing with each other at arm's length or not. The following criteria have generally been used by the courts in determining whether parties to a transaction are not dealing at “arm's length”:

- was there a common mind which directs the bargaining for both parties to a transaction;
- were the parties to a transaction acting in concert without separate interests; and
- was there “de facto” control.

Audit Findings

In 2014, the Organization sold a property to [REDACTED]. As part of the purchase agreement, the [REDACTED] agreed to transfer their residential property to the Organization and pay an additional \$92,000 to account for the difference between the fair market values of the two properties involved in the transaction. At the time of the sale, the properties were transferred and a \$92,000 receivable was recorded in the records of the Organization.

In 2015, the Organization stated that an assessment was completed on the income and expenses of the [REDACTED], and it was determined that their ability to pay was half of the original agreed upon amount. As a result, the Organization added a taxable benefit of \$46,000 to the income of [REDACTED] (\$23,000 allocated to each of them), and reduced the amount receivable in the records by \$46,000. In 2016, the Organization stated that the same assessment was completed, and it was determined that the remaining receivable was also not collectible. An

additional taxable benefit of \$46,000 was added to the income of [REDACTED] (\$23,000 allocated to each of them), and the remaining receivable was written off.

The Organization formally wrote down the receivable and forgave the debt as they claim to have determined that the [REDACTED] could no longer pay back the agreed amounts. While this may have factually been the case, there was inadequate documentation to support the write off of the receivable, no evidence of any collection attempts, and no details of the collectability analysis that was completed in 2015 or 2016. In the absence of documentation to support an inability to pay, it appears that the write off may have been related to the close relationship between the Organization and [REDACTED]. The [REDACTED] were long term employees of the Organization prior to the transaction, and they remained employees after the balance owing was written off. By including the written off receivable in the income of [REDACTED] the Organization has acknowledged that the [REDACTED] were in receipt of a benefit. However, simply having the recipients report the benefits personally as income does not offset that the Organization has conferred an undue benefit as described in subsection 188.1(5) of the Act.

Based on our review of the relationship between the Organization and the [REDACTED] and the details of the transaction including the subsequent receivable write off, it is our position that the Organization has provided an undue benefit to [REDACTED] for the accounts receivable write off detailed above.

Penalty proposed

Due to the serious nature of the non-compliance issues described above, it is our view that a penalty under paragraph 188.1(4)(a) should be applied to the Organization. Please note that the CRA is proposing the assessment of a penalty in accordance with sections 188.1 and/or 188.2 of the Act in lieu of issuing a notice of intention to revoke registration.

According to our calculations, the penalty payment would be approximately \$96,000 as shown below:

Universal Educational Institute of Canada			
Year	Type of Sanction & Penalized Amount	Sanction %	Penalty Amount
2015	Undue Benefit – A/R Write Off - \$46,000	105%	\$48,300
2016	Undue Benefit – A/R Write Off - \$46,000	105%	\$48,300
Total paragraph 188.1(4)(a) Penalty for Receivable Write-Off			\$96,600

2.) Issuing receipts not in accordance with the Act

Cost per pupil adjustment

As per IC75-23 Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools, tuition fees paid to an educational institution in Canada are deductible by the student in accordance with subsection 60(f) of the Act. Such fees are not considered charitable donations and official receipts designed for charitable donations may not be issued for such

tuition fees even though the educational institution may be a registered Canadian charitable organization as defined in paragraph 110(8)(c) of the Act.

The provisions of the Act do not permit a deduction, as a charitable donation, of an amount paid to a school for academic tuition, whether the amount was paid for set fees or was a voluntary contribution. A gift, to be allowable within the concept of paragraph 110(1)(a) of the Act, must be a voluntary transference of property without consideration. The consideration is the academic training received by the children attending the school.

However, religious training is not viewed as consideration for purposes of the definition of a gift. Schools which operate in a dual capacity by providing both secular and religious education may issue receipts for charitable donations for the portion of the amount paid by calculating a "cost-per-pupil" for academic training as detailed in IC75-23. An official donation receipt can be issued for that portion of a payment which is in excess of the pro-rated "cost per pupil" for academic training.

Audit Findings

During the current audit, we found that the Organization treated 100% of the tuition payments it received as donations for the purpose of advancing religion. By claiming that 100% of the education that it provided to its students was religious in nature, the Organization is implying that none of the education it provided to its student base was secular in nature. While this may be the case, the Organization failed to maintain documentation and information to demonstrate the accuracy of this assertion. Therefore, the Organization has not provided us with supporting documentation that is adequate enough to show that any (or all) of the tuition payments could be considered donations (i.e., that the religious component of the tuition payments were 100%).

Accordingly, it is our opinion at this time that all of the official donation receipts the Organization issued that were related to the tuition payments that it received from its students (as listed in the table below) contained incorrect information.

Year	Receipts Issued for Parent Contributions	Allowable Receipts After Cost Per Pupil Adjustment	Incorrect Amount Receipted
2013	\$117,360	\$0.00	\$117,360
2014	\$132,719	\$0.00	\$132,719
2015	\$125,795	\$0.00	\$125,795
2016	\$127,510	\$0.00	\$127,510
			<hr/> \$503,384

Split Receipting

As detailed in Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value, subsection 248(30) of the Act allows for the recognition of a gift for tax purposes in certain circumstances even though some form of benefit or consideration flows back to the donor. When a donor has received an advantage (consideration) in return for his or her donation, split

receipting must be used to calculate the eligible amount of the gift. To do this the charity must subtract the fair market value of the advantage from the fair market value of the gift.

Receipts were issued to sponsors for the [REDACTED] event. There was no documentation to support that an analysis was completed to ensure that the amounts received qualified as a gift, and that if an advantage was received by the donor that it was receipted accurately as per the split receipting rules detailed in Income Tax Folio S7-F1-C1.

Issuing official donation receipts to other registered charities

Official donation receipts should not be issued to other registered charities to acknowledge gifts nor should other registered charities insist on receiving official donation receipts. Official donation receipts that bear a charity's registration number and other information required by the Act are for tax deduction or credit purposes only.

The Organization issued official donation receipts totalling \$8,007,711 over the audit period to the following qualified donees:

- The Edmonton Learning Trust Fund
- The Edmonton Hebrew Association
- Jewish Federation of Edmonton

Donation receipt content issues

Subsection 3501(1) of the Regulations provides that each official donation receipt that a registered charity issues must include, in a manner that cannot be readily altered, the prescribed contents of a receipt.

A portion of the receipts issued by the Organization did not contain the donor's full name or complete address as required under subsection 3501(1) of the Regulations.

Penalty proposed

As the Organization has issued official donation receipts that contain incorrect information, it is our view that the following penalty should be applied to the Organization under subsection 188.1(7):

Universal Educational Institute of Canada			
Year	Type of Sanction & Penalized Amount	Sanction %	Penalty Amount
2013	Incorrect ODR Info. – \$117,360	5%	\$5,868.00
2014	Incorrect ODR Info. – \$132,719	5%	\$6,635.95
2015	Incorrect ODR Info. – \$125,795	5%	\$6,289.75
2016	Incorrect ODR Info. – \$127,510	5%	\$6,375.50
Total subsection 188.1(7) Penalty			\$25,169.20

Areas of non-compliance not subject to penalty:

3.) Failure to maintain adequate books and records

Pursuant to subsection 230(2) of the Act, every registered charity "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 revocation of its registration under the Act;
- b) a duplicate of each receipt containing prescribed information for a donation received by it;
- c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act."

In addition, subsection 230(4) also states "Every person required by this section to keep records and books of account shall retain:

- a) the records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such a period as is prescribed;
- b) all other records and books of account referred to in this section, together with every account and voucher necessary to verify the information contained therein, until the expiration of six years from the end of the last taxation year to which the records and books of account relate."

The policy of the CRA relating to the maintenance of books and records, and books of account, is based on several judicial determinations and the law, which have held that:

- i. it is the responsibility of the registered charity to prove that its charitable status should not be revoked;¹⁰
- ii. a registered charity must maintain, and make available to the CRA at the time of an audit, meaningful books and records, regardless of its size or resources. It is not sufficient to supply the required documentation and records subsequent thereto;¹¹ and
- iii. the failure to maintain proper books, records, and records of account in accordance with the requirements of the Act is itself sufficient reason to revoke an organization's charitable status in the case of material or repeated non-compliance.¹²

¹⁰ See Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72 at paras 26-27, [2002] 2 CTC 93.

¹¹ Canadian Committee for the Tel Aviv Foundation, 2002 FCA 72 at para 39, [2002] 2 CTC 93. Furthermore, failing to comply with the requirements of section 230 of the Act by refusing to make documents available can lead to a fine and imprisonment, in addition to the penalty otherwise provided. See subsection 238(1) of the Act.

¹² See Prescient Foundation v MNR, 2013 FCA 120 at para 51, [2013] FCJ no 512.

Audit Findings

The following issues were noted in regards to the books and records of the Organization during the audit:

Taxable Benefits

The following issues were noted regarding taxable benefits:

- Each rabbi that was provided housing by the Organization had \$750 deducted monthly from their salary to cover housing costs. Based on the analysis completed by the Organization at the request of the CRA, it was determined that housing deductions were not sufficient based on comparable fair market values for monthly rent¹³. The Organization proposed to continue deducting \$750 per month in rent, adding a taxable benefit of \$750 per month to each tenant's pay, and to ensure that going forward the value of housing would be adjusted to ensure amounts are reasonable based on comparable fair market values. We accepted your proposal, and during our audit we confirmed that for the 2017 year the Organization added a taxable benefit in relation to housing to the applicable T4s correcting the previously understated taxable benefits.
- An employee of the Organization, [REDACTED] received a vehicle allowance of \$330 per month that was not based on a per kilometer basis, and was not included on the T4 as a taxable benefit as required.
- Moving costs totaling \$14,550.75 were paid by the Organization to [REDACTED] a former employee of the Organization, as a way to compensate him for his long term service. The moving costs were not included on the T4 as a taxable benefit as required.

Reduced Tuition/Scholarship Amounts

The Organization did not provide documentation to support how reduced tuition amounts are determined, and did not provide details as to the criteria a student must meet to qualify for a scholarship, or receive reduced tuition. While the Organization did provide a blank scholarship application form and stated that there is a scholarship committee that makes the decisions for reduced tuition recipients, there were no completed application forms or documentation to detail the committee's decisions provided for review.

Meeting Minutes

The Organization maintains no board meeting minutes.

¹³ A fair market value analysis found that a reasonable monthly rent for a comparable property would be \$1,500; or double the amount that the Organization was deducting from the rabbis' income.

Motor Vehicle Log

Logbooks documenting use of the vehicles owned by the Organization are not maintained, including the vehicles used for the fundraising raffles which is further detailed below in item number 5, Failure to devote resources to charitable activities – fundraising.

Please note that the failure to maintain adequate books and records can result in either a suspension or revocation of a registered charity's status. As the Organization has committed to ensure that adequate books and records will be maintained going forward, we are not proposing to suspend or revoke the Organization's charitable status for this non-compliance issue at this time. However, repeated non-compliance in this regard may result in suspension or revocation of the Organization's charitable status.

4.) Failure to file an accurate T3010, Registered Charity Information Return

Pursuant to subsection 149.1(14) of the Act, every registered charity must, within six months from the end of the charity's fiscal period (taxation year), without notice or demand, file a Registered Charity Information Return with the applicable schedules.

It is the responsibility of the Organization to ensure that the information that is provided in its return, schedules and statements, is factual and complete in every respect. A charity is not meeting its requirement to file an Information Return if it fails to exercise due care with respect to ensuring the accuracy thereof.

Audit Findings

The audit showed the following errors with the T3010 Returns filed during the audit period:

Line 4500 – Total eligible amount of all gifts for which the charity issued tax receipts & Line 4510 – Total amount from other registered charities

Amounts reported on Line 4500 primarily consist of funds received from other charities. The Organization incorrectly included these amounts on Line 4500, and not on Line 4510 as required.

Line 4620 - Non tax-receipted revenues received for memberships, dues, and association fees

The Organization incorrectly included tuition payments that were receipted at 100% with no cost per pupil adjustments. Also included on Line 2630 were after school club and playschool fees which should have been reported on Line 4640, Total revenue from the sale of goods and services.

Line 4630 - Total non-tax receipted revenue from fundraising

Fundraising revenue was inaccurately reported based on net proceeds, rather than gross fundraising revenue received as required.

Line 4920 - All other expenditures not included in the amounts above (excluding gifts to qualified donees)

The Organization grouped expenses that should have been reported on lines that more accurately reflect the true nature of the expenses. This includes educational supplies and lunch program expenses that should have been included on Line 4891, repairs and maintenance and property tax expenses which should have been included on line 4850, and gifts to other qualified donees (such as the \$25,000 gifted to the Canadian Digestive Health Foundation), which should have been included on Line 5050.

Lines 5000 to 5040 - allocation of expenses

The Organization failed to accurately complete the allocations as required. Total expenditures on charitable activities was overstated each year, while Lines 5010, Total expenditures on management and administration, Line 5020, Total expenditures on fundraising, and Line 5040, Total other expenditures, were all understated.

Form T1235, Directors/Trustees and Like Officials Worksheet

It was confirmed by the Organization that during the audit period, all directors were not at arm's length, however, this was not accurately reported. In addition, the address used for three directors was the corporate address for the [REDACTED] instead of their home address, the start and end dates were not completed, the position and date of birth was not included for one director, and the phone numbers were missing for three of the directors.

Form T1236, Qualified Donees Worksheet

\$25,000 was donated each year to the Canadian Digestive Health Foundation in accordance with the lottery license received for the luxury car raffle from the Alberta Gaming and Liquor Commission, however, the Organization did not file a completed Form T1236.

Please note that filing incomplete and/or erroneous information returns can result in either a suspension or revocation of a registered charity's status. As the Organization has committed to ensure that all future returns are completed accurately and completely as required we are not proposing to suspend or revoke the Organization's charitable status for this non-compliance issue at this time. However, repeated non-compliance in this regard may result in suspension or revocation of the Organization's charitable status.

5.) Failure to devote resources to charitable activities - Fundraising

Fundraising by registered charities must be conducted within legal parameters. Fundraising is acceptable provided it is not:

- a purpose of the charity (a collateral, non-charitable purpose)
- delivering a more than incidental private benefit (a benefit that is not necessary, reasonable, or proportionate in relation to the resulting public benefit)
- illegal or contrary to public policy
- deceptive
- an unrelated business

When evaluating a charity's fundraising activities, the CRA will consider a range of indicators and factors including, but not limited to:

- resources devoted to fundraising relative to resources devoted to charitable programs
- the charity's fundraising expenses to fundraising revenue ratio
- misrepresentations in fundraising solicitations or in disclosure about fundraising costs, revenues or practices
- fundraising initiatives or arrangements that are not well documented
- involvement in gaming activities

Audit Findings

During the audit period, the main fundraising event involved an annual luxury vehicle raffle. The Organization failed to accurately report revenues earned and expenses incurred in relation to the raffle for each year under review resulting in material misrepresentations of their fundraising activities on the filed T3010 Return in each year.

In addition, an analysis of the Organization's fundraising expense to fundraising revenue ratio was completed, and in each year the Organization exceeded the recommended 35% threshold. However, as noted in Guidance CG-013, Fundraising by Registered Charities, gaming activities regulated by the provinces and territories that exceed the recommended fundraising ratio are generally accepted by the CRA if all relevant provincial and territorial regulations are met. As the Organization was in compliance with the relevant provincial regulations, the fundraising revenue and expenses are not being addressed; however, the Organization is reminded going forward that gaming activities are still fundraising activities, and, like all activities of registered charities, must comply with the requirements of the Act.

A concern was also noted during the review related to potential benefits being conferred on the directors of the Organization for personal use of the luxury vehicles from the time the vehicles were obtained, to the time they were delivered to the winner of the raffle. For the audit period, the vehicles were stored in the personal garage of a director, with no documentation or vehicle logs to support that the vehicle was only driven as required for purposes relating to the raffle, and not for personal use. The Organization is reminded that any fundraising activity that delivers more than an incidental private benefit is not acceptable.

Please note that filing incomplete and/or erroneous information returns as well as not maintaining adequate books and records can result in either a suspension or revocation of a registered charity's status. Further, Charities that engage in unacceptable fundraising cannot be registered under the Act as they are not constituted and operated exclusively for charitable purposes and devoting their resources to charitable activities. A registered charity that engages in unacceptable fundraising is liable to sanctions or the revocation of its registration.

As the Organization was compliant with the provincial regulations for the raffles, has committed that the fundraising revenue and expenses will be accurately reported, and that all future personal use of the raffle vehicles will be limited, we are not proposing to revoke the Organization's charitable status for this non-compliance issue at this time. However, please note that continued personal use of the raffle vehicles, or repeated non-compliance in this regard could result in an undue benefit penalty assessment under paragraph 188.1(4)(a) or revocation of the Organization's charitable status under paragraph 168(1)(b) of the Act.

6.) Failure to comply with the requirements of the Act as they apply to the Organization's designation

As per paragraph 149.1(1)(b) of the Act and detailed in Guidance CG-017, General requirements of charitable registration, registered charities must continue to meet all registration requirements in order to retain their registered status.

A charitable organization must meet the following requirements for continued registration:

- be established as a corporation, a trust, or under a constitution
- have exclusively charitable purposes
- primarily carry on its own charitable activities, but may also gift funds to other qualified donees
- more than 50% of its governing officials must be at arm's length with each other
- generally receive its funding from a variety of arm's length donors
- its income cannot be used for the personal benefit of any of its members, shareholders, or governing officials

Audit Findings

In the notification of registration letter, the Organization was informed that the requirements of operating a charitable organization as per paragraph 149.1(1)(b) of the Act must be met for continued registration. It was noted during the review of the directors, and confirmed by the Organization during the audit, that all directors were non-arm's length with each other, which is in contravention of the requirements of operating a charitable organization under the Act.

Under paragraph 168(1)(b) of the Act, the registration of a charity may be revoked if it ceases to comply with the requirements of this Act for its registration. It is our position that the Organization has failed to comply with the Act by failing to meet the requirements of a charitable organization. As the Organization has committed that the Board will be revised to ensure that at least 50% of the Board is operating at arm's length, we are not proposing to revoke the Organization's charitable status for this non-compliance issue at this time. However, repeated non-compliance in this regard may result in revocation of the Organization's charitable status.

The Organization's options:

a) Respond

Should you choose to make representations regarding this proposal, 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 Organization, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include:

- no compliance action necessary;
- the issuance of an educational letter;

- resolving these issues through the implementation of a Compliance Agreement;
- the application of penalties and/or suspensions provided for in sections 188.1 and/or 188.2 of the Act; or
- giving notice of its intention to revoke the registration of the Organization by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

b) Do not respond

You may choose not to respond. In that case, the Director General of the Charities Directorate may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act or give notice of its intention to revoke the registration of the Organization by issuing a notice of intention to revoke in the manner described in subsection 168(1) of the Act.

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

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers indicated below. My team leader, Michael Speakman, may also be reached at (613) 670-0812.

Yours sincerely,



Katie Kesselring
Audit Division
Telephone: (226) 989-2784
Facsimile: (519) 585-2803
Address: 166 Frederick Street
Kitchener ON N2H 0A9

cc: Nader Ghermezian





06/06/2019 11:26



**The Universal
Educational Institute**
of Canada

Canada Revenue Agency
Audit Division
166 Frederick Street
Kitchener, Ontario
N2H 0A9

Attention: Katie Kesselring

June 5, 2019

Dear Madam:

RE: Audit of Universal Educational Institute of Canada ("the Institute")

This letter is in response to your April 10, 2019 letter in which you outlined various matters upon the completion of the recent audit of the Institute. The Institute has reviewed your letter carefully and has taken your proposals seriously. The suggested changes as discussed have been implemented. We wish to submit our comments on the two areas on which you have proposed penalties.

Item 1 – Failure to devote resources to charitable activities – Providing undue benefits

Under this proposal you have proposed to assess a penalty of 105% in respect of transactions with [REDACTED]. As a reminder, this proposal relates to a series of transactions which commenced with the sale to the [REDACTED] of a property owned by the Institute. In payment of the purchase price for this property, the [REDACTED] transferred another property, owned by them, to the Institute at the market value of that property as well as promised to pay an additional amount of \$92,000 via residential real estate purchase contract dated August 28, 2019. In a subsequent year, officials of the Institute entered into regular discussions with the [REDACTED] about the balance owing. In those discussions, it was apparent that the [REDACTED] did not have sufficient resources to repay the \$92,000.

[REDACTED] was not related to the Institute and was dealing with it on an arm's length basis as an employee of the organization. It was considered that [REDACTED] was a valuable employee of the religious school operated by the Institute and was instrumental to its success currently and into the future. It was decided that additional compensation would not be unreasonable for the services that were provided, and given the circumstances listed above, the Institute agreed to forgo the collection of the balance and include the

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compensation on the T4's issued for 2015 and 2016. Copies of the T4's are attached, as well as a reconciliation of the pay statements for 2015 and 2016. As such, the additional compensation represented by the T4's was in the nature of reasonable compensation for services performed and was not intended to be a benefit conferred. Additionally, if more formal efforts to obtain the \$92,000 were undertaken it was believed they would have a severe negative impact on the school as it would not be consistent with the religious tenants the school operates under which could severely impact donations and student enrolment.

It is the belief of the foundation that the amount does not represent an undue benefit conferred on the [REDACTED]. The \$92,000 was documented as a T4 issued to them and as such was included in their income, there was no benefit to them as it was a fully taxable receipt to them. Further, the cancellation of the receivable is merely a representation of the reality of the financial situation of the [REDACTED] and was never intended to be a benefit to them. As no benefit was contemplated and the [REDACTED] were issued a T4 for the full amount we would contend that no undue benefit occurred.

Item 2 – Issuing receipts not in accordance with the Act

In your letter, you note that the Institute issued receipts in respect of tuition paid for the students of the school operated by the Institute. In your letter, you indicate that the receipts were incorrectly issued and that they should only have been issued in respect of excess of "Cost per Pupil" as outlined in IC75-23. As such, the receipts were too high.

While the Institute does not dispute the comments in your letter we ask for some consideration. The Institute honestly believed that the processes they used for the calculation for the receipts was correct and were surprised by the comments you provided to them. They have changed their processes and issued 2017 and 2018 receipts based on the processes you outlined, thus resulting in no receipts being issued for the tuition in 2018 and much reduced receipts in 2017.

The methodology used by the Institute was based on their honest belief that those processes were correct. In coming up with this methodology the Institute discussed the issuance of receipts with other religious schools and were under the belief that they were issued correctly. The organization was shocked that they were not following the accepted policies for such

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**The Universal
Educational Institute**
of Canada

receipts and immediately changed their processes when they became aware of the comments in IC75-23.

We ask that you review and consider not assessing these penalties.

Please feel free to contact us to discuss or clarify these items.

Yours truly,

[Redacted Signature]
Mavis Halliday, Secretary Treasurer

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Suite 3000, 8882-170 Street
Edmonton, AB T5T 4M2

Εμπειρογάνη' Α



תחילתה 1911

31-Dec-16
Taxable benefits
T4's

Universal

2016	December 31, 2016 YTD Pay Statements									2016 T4			Agree to
Donation receipt	Tuition benefit	Travel benefit	Housing benefit	Regular/Sub pay	Bonus	Car/Lawn	Daycare funding, Government	Housing	Receivable Write-off	Box 14	Box 30	Box 40	Draft T4
-	-	4,000.00		24,140.00					23,000.00	51,240.00	-	17,000.00	Y
6,600.00	6,600.00	1,000.00		60,000.00					23,000.00	90,600.00	-	30,600.00	Y



CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

NOTICE OF ASSESSMENT - AVIS DE COTISATION

Date of mailing - Date de l'envoi January 11, 2022	Business Number – Numéro d'entreprise 13948 2715 RR0001	Taxation year - Année d'imposition August 31, 2013
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NAME OF ORGANIZATION – NOM DE L'ORGANISME

Universal Educational Institute of Canada

Penalty amount	Amount paid	Balance owing
\$5,868.00 Montant de la pénalité	NIL Montant payé	\$5,868.00 Solde dû

Explanation of assessment – explication de la cotisation

Issuing official donation receipts containing incorrect information, contrary to subsection 188.1(7) of the Income Tax Act.

Bob Hamilton
Commissioner of Revenue
Commissaire du revenu

Canada



CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

NOTICE OF ASSESSMENT - AVIS DE COTISATION

Date of mailing - Date de l'envoi January 11, 2022	Business Number - Numéro d'entreprise 13948 2715 RR0001	Taxation year - Année d'imposition August 31, 2014
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NAME OF ORGANIZATION - NOM DE L'ORGANISME

Universal Educational Institute of Canada

Penalty amount \$6,635.95 Montant de la pénalité	Amount paid NIL Montant payé	Balance owing \$6,635.95 Solde dû
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Explanation of assessment - explication de la cotisation

Issuing official donation receipts containing incorrect information, contrary to subsection 188.1(7) of the Income Tax Act.

Bob Hamilton
Commissioner of Revenue
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DU CANADA

NOTICE OF ASSESSMENT - AVIS DE COTISATION

Date of mailing - Date de l'envoi January 11, 2022	Business Number – Numéro d'entreprise 13948 2715 RR0001	Taxation year - Année d'imposition August 31, 2015
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NAME OF ORGANIZATION – NOM DE L'ORGANISME

Universal Educational Institute of Canada

Penalty amount	Amount paid	Balance owing
\$48,300	NIL	\$48,300
Montant de la pénalité	Montant payé	Solde dû

Explanation of assessment – explication de la cotisation

Conferring undue benefits to non-qualified donees, contrary to subsection 188.1(4) of the Income Tax Act.

Penalty amount	Amount paid	Balance owing
\$6,289.75	NIL	\$6,289.75
Montant de la pénalité	Montant payé	Solde dû

Explanation of assessment – explication de la cotisation

Issuing official donation receipts containing incorrect information, contrary to subsection 188.1(7) of the Income Tax Act.

Bob Hamilton
Commissioner of Revenue
Commissaire du revenu

Canada



CANADA REVENUE
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AGENCE DU REVENU
DU CANADA

NOTICE OF ASSESSMENT - AVIS DE COTISATION

Date of mailing - Date de l'envoi January 11, 2022	Business Number – Numéro d'entreprise 13948 2715 RR0001	Taxation year - Année d'imposition August 31, 2016
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NAME OF ORGANIZATION – NOM DE L'ORGANISME

Universal Educational Institute of Canada

Penalty amount	Amount paid	Balance owing
\$48,300	NIL	\$48,300
Montant de la pénalité	Montant payé	Solde dû

Explanation of assessment – explication de la cotisation

Conferring undue benefits to non-qualified donees, contrary to subsection 188.1(4) of the Income Tax Act.

Penalty amount	Amount paid	Balance owing
\$6,375.50	NIL	\$6,375.50
Montant de la pénalité	Montant payé	Solde dû

Explanation of assessment – explication de la cotisation

Issuing official donation receipts containing incorrect information, contrary to subsection 188.1(7) of the Income Tax Act.

Bob Hamilton
Commissioner of Revenue
Commissaire du revenu

Canada