

September 14, 2023

**REGISTERED MAIL**

David Perlis  
Director  
Les Ecoles Juives Populaires et Les Écoles Peretz Inc. /  
Jewish People's Schools and Peretz Schools Inc.  
6502 Kildare Road  
Côte Saint-Luc QC H4W 3B8

BN: 10753 4893 RR0001  
Case # : 8207154

Dear David Perlis:

**Subject: Notice of Penalty**

We are writing further to our July 4, 2022, letter (copy enclosed), in which you were invited to submit representations as to why the Canada Revenue Agency (CRA) should not assess a penalty and suspend the receipting privileges and qualified donee status of Les Ecoles Juives Populaires et Les Écoles Peretz Inc. / Jewish People's Schools and Peretz Schools Inc. (the Organization) in accordance with sections 188.1 and/or 188.2 of the *Income Tax Act*.

We received your written response of August 15, 2022, (the Representations) in which you:

- a) agreed with the subsection 188.1(7) penalty that we proposed to assess in our July 4, 2022, letter, and thus did not provide any representations to support that the penalty we proposed was not reasonable; but
- b) did not agree with the paragraph 188.2(2)(c) suspension that we proposed to assess in our July 4, 2022, letter. In your representations, you explained why in your view assessing such a suspension would be unreasonable.

Following a review of the Representations, the CRA will proceed with the assessment of the penalty but will not proceed with the suspension. Below we provide our response to the Representations.

**Area of non-compliance subject to penalty**

**Incorrect Information Penalty – Subsection 188.1(7) of the Act**

In our letter dated July 4, 2022, we proposed to assess a penalty under subsection 188.1(7) of the Act against the Organization for issuing official donation receipts (ODRs) that contained incorrect information.

As detailed in the above-mentioned letter, we explained that we were of the view that the criteria for assessing a penalty under subsection 188.1(7) of the Act, in both years of the audit period, were met because:

- the ODRs were not issued in accordance with Act and the regulations;
- the Organization issued ODRs with inflated donation values that it knew to be inaccurate;
- the difference between the correct donation value and the donation value listed for each ODR is material; and
- the non-compliance had previously been identified in a prior audit and addressed with a letter of undertaking (LOU).

In total, over the two-year audit period, the Organization issued over \$7,700,000 in ODRs that contained incorrect information, and we proposed to assess the following penalties under subsection 188.1(7) of the Act:

<b>Fiscal Period Ending</b>	<b>Type of Sanction</b>	<b>Sanction %</b>	<b>Sanctioned Amount</b>	<b>Sanction</b>
June 30, 2014	Incorrect information	5%	\$4,226,038	\$211,302
June 30, 2015	Incorrect information	5%	\$3,543,714	\$177,186
<b>Total</b>			<b>\$7,769,752</b>	<b>\$388,488</b>

In the Representations of August 15, 2022, the Organization indicated that it will not contest the application of this proposed penalty. Therefore, the failure to issue donation receipts in accordance with the Act and the Regulations is subject to a penalty under subsection 188.1(7) of the Act.

Consequently, for each of the reasons mentioned in our letter dated July 4, 2022, we will assess a penalty against the Organization pursuant to subsection 188.1(7) of the Act.

#### **Suspension for issuing ODRs not in accordance with the Act and the Regulations – Paragraph 188.2(2)(c) of the Act**

In our letter dated July 4, 2022, we proposed to suspend the Organization's registered status under paragraph 188.2(2)(c) of the Act for issuing ODRs that contained incorrect information. In that letter, we explained that it would be reasonable to suspend the Organization for the identified non-compliance regarding the failure to meet the legislative requirements listed in the Act and the Regulations regarding the contents of the Organization's ODRs. This non-compliance has resulted in the Organization providing its donors with donation tax credits/deductions that materially exceeded what those credits/deduction would have been had the Organization prepared the ODRs in accordance with the Act and the Regulations.

Notably, the Organization's inflated ODRs were directly related to its failure to meet the guidelines outlined in IC75-23, Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools.

### **Representations**

In the Representations of August 15, 2022, the Organization provided the following information and explanations for why it does not agree with our July 4, 2022, proposal to suspend the Organization under paragraph 188.2(2)(c) of the Act:

- The Representations explained that the circumstance with which the Organization is presently faced, only occurred as a result of unauthorized misconduct by the Organization's then Director of Finance and Administration (DFA), [REDACTED] did not inform the Organization's volunteer board of all of the decisions [REDACTED] made regarding the donation value of the ODRs [REDACTED] was preparing and issuing on the Organization's behalf. As such, the Organization was unaware of [REDACTED] non-compliant actions until the current audit.
- The proposed suspension will negatively impact both the Organization itself, and also third parties who bore no responsibility for the non-compliance issue raised by the CRA in the July 4, 2022, letter, namely the students and their parents.
- Should the CRA suspend the Organization as proposed, the Organization would likely lose students. This loss of students would lead to a decrease in the Organization's revenues which it requires to provide its charitable activities. The decreased revenues could also lead to the Organization having to lay off some of its teachers and/or other employees.

While the Organization regrets the non-compliance and acknowledges that the Organization itself is ultimately accountable for the actions of its employees, including [REDACTED] it does not consider the uncovered non-compliance as a systemic issue that cannot be adequately addressed and rectified. As such, the Organization believes that the most reasonable compliance measures to conclude the current audit are the assessment of an incorrect information penalty under subsection 188.1(7) of the Act, and a compliance agreement that would provide corrective measures, that if implemented, would improve the Organization's ability to prevent the non-compliance from recurring in future years.

### **Our response to the Representations**

In the Representations, the Organization has claimed that the issuance of materially incorrect ODRs resulted from the unauthorized actions of [REDACTED] the Organization's DFA. By doing so, the Organization minimized its direct role in the preparation and issuance of the ODRs by claiming that it was ignorant that there were any concerns regarding the value of the ODRs it issued during the audit period. However, given the materiality of the non-compliance that we have identified<sup>1</sup> it remains our view that the Organization's negligence in this regard is unacceptable.

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<sup>1</sup> The materiality is two-fold: the number of ODRs during the audit period were in the hundreds, while the donation values were in excess of \$7,000,000.

Regardless of the level of trust the Organization had in its DFA, it was the Organization's responsibility to ensure that its employee's work was meeting the required accounting standards and legislative requirements. Since the Organization did not exercise oversight over its DFA's work, the Organization failed to fulfill this responsibility.

It is our view that the Organization's lack of oversight over [REDACTED] role within the Organization demonstrates a lack of internal control and lack of duty of care exhibited by both the Organization's Head of School (HOS) and its board of directors. The internal control measures implemented by the Organization during the audit period indicated that the DFA must report to the HOS; however, the HOS does not have the experience or capacity to oversee the DFA's work. The board of directors relied heavily on the DFA and only had a general oversight of her work because they had trust in her abilities.

Despite granting its DFA's relative autonomy to perform their core job functions, it was the responsibility of the Organization's board of directors and its HOS to be aware of the work that was being conducted by the DFA. This responsibility was particularly important given that the Organization advertised the potential tax advantages the school fees could present a potential student on its website. Given these potential tax advantages, the Organization should have ensured that its ODRs were correct and were based on a reasonable and verifiable calculation method, in accordance with IC75-23, Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools.

Additionally, the non-compliance the audit identified with the Organization's ODRs was not isolated to a limited number of ODRs. Rather, the non-compliance effected several hundred ODRs per year and totalled over \$7,700,000 during the two-year audit period alone. Accordingly, we believe that given the prevalence of the non-compliance, the Organization should have been aware of the above concerns, and almost certainly would have been, had the Organization employed an acceptable level of internal controls and maintained an acceptable level of oversight over its DFA's work.

In spite of our ongoing concerns with respect to the Organization's non-compliance, we have decided to not apply the suspension for the following reasons.

First, the Organization recognized that its board of directors is ultimately accountable for the action of its employees and has accepted the assessment of the subsection 188.1(7) penalty we proposed on July 4, 2022.

Second, the Organization has committed itself to applying corrective measures to ensure the accuracy of the official donation receipts it issues going forward. This includes the Organization both instituting a complete and detailed review of the cost per pupil calculation by its Treasurer with the support of the Finance Committee and ensuring that no change to those processes would be made without prior approval from its external auditors. The Organization will also enact specific written policies in respect to the process of calculating the cost per pupil to ensure that it is reasonable and supportable.

## Conclusion

While the audit findings support our initial conclusion that it would be reasonable to suspend the Organization's receipting privileges under paragraph 188.2(2)(c) of the Act for issuing official donation receipts not in accordance with the Act and the Regulations, taking into consideration the Organization's representations and commitment to implement corrective measures in order to bring itself into compliance, we have concluded that a suspension of the Organization's receipting privileges is not a necessary consequence to discourage the Organization from remaining non-compliant in its receipting practices. As such, we have decided not to suspend the Organization's qualified donee status under paragraph 188.2(2)(c) of the Act at this time.

Our decision to not suspend the Organization should not be interpreted to mean we do not believe that the identified non-compliance was neither material nor subject to a suspension. As identified in this letter, and in our previous correspondences with the Organization, the non-compliance was material and resulted in inflated ODRs being issued that totalled more than \$7,700,000 during the two-year audit period.

It is our expectation that the Organization will implement corrective measures to ensure that its receipting practices going forward comply with the Act and the Regulations. Failure to implement corrective measures may result in the revocation of the Organization's registration in accordance with paragraph 168(1)(d) of the Act.

## Penalty assessment

The penalty to be assessed by the CRA is calculated as follows:

<b>Fiscal period ending</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Amounts reported as eligible amounts stated on all official donation receipts issued with incorrect information	\$4,226,038	\$3,543,714
188.1(7) Incorrect information	5%	5%
Total penalty owing per subsection 188.1(7)	\$211,302	\$177,186

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 organization meets the definition of an eligible donee, that the penalty payment was received and the amount paid; and
- a copy of either the cancelled cheque or evidence of a non-cash transfer.

Please note that in accordance with subsection 149.1(1.1) of the Act, a 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.

Conversely, should you choose to make your payment to the CRA, please make the cheque payable to the “Receiver General for Canada”. For more information about payments by cheque, go to **[canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/pay-cheque.html](https://canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/pay-cheque.html)**.

In either case, all documentation regarding the penalty payment should be mailed to:

Charities Directorate  
Canada Revenue Agency  
Ottawa, ON K1A 0L5

The penalty is effective on the mailing date of the Notice of assessment, which will be sent to you separately, and by virtue of paragraph 189(9)(b) of the Act, any amount of the penalty that remains unpaid as of the day that is one year after the mailing date of the Notice of assessment is subject to interest in accordance with subsection 161(11) of the Act.

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 Karen Lockridge at 905-706-7792 or you can contact the Charities Directorate’s Client Services area toll-free at 1-800-267-2384.

## Appeal process

Should the Organization choose to object to the Notice of assessment in accordance with subsection 165(1) of the Act, a written Notice of objection, with the Organization's business number, the reasons for objection and all relevant facts, must be filed **within 90 days** from the mailing of the Notice of assessment.

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](https://Canada.ca/charities-giving) website. While the effective date of the penalty is the date of the Notice of assessment, the CRA will delay posting this information online until the Organization has exhausted its appeal rights, should it decide to object to the assessment of this penalty. Should the Organization choose to not exercise its appeal rights, the penalty will be posted online after 90 days of the date of the Notice of assessment, which will be sent to you separately.

## Penalty

Reason for penalty:	Incorrect information on official donation receipts
Amount of penalty:	\$388,488
Income Tax Act reference:	188.1(7)

A registered charity must comply with all provisions of the Act. The CRA strongly encourages the Organization to take appropriate actions to remedy the issue that led to the assessment of the penalty which may be subject to a future review.

## Other areas of non-compliance, not subject to penalty

In the Representations, the Organization provided detailed explanations to address the following areas of non-compliance detailed in our letter dated July 4, 2022.

## History of repeated non-compliance

In our July 4, 2022, letter, we indicated that the Organization has a "history of repeated non-compliance regarding its receipting practices" and that "In multiple audits, including the current audit" the CRA has found that the Organization "does not meet the legislative requirements listed in the Act and the regulations regarding the contents of the ODRs".

## **Representations**

In the Representations, the Organization indicated that certain references made in the July 4, 2022, letter were incomplete and/or incorrect. The Representations mentioned that before the current audit, only one previous audit, which was only in relation to the fiscal year ended June 30, 2001, was performed by the CRA.

## **Our response to the Representations**

We acknowledge that our explanation was not accurate as we had not found the receipting-related issues in multiple audits, but only a single audit which was concluded in March of 2003 with a LOU. We apologize for the error and resulting confusion regarding this matter. However, our July 4, 2022, letter was correct in that the receipting-related non-compliance identified in this audit was a repeated non-compliance issue as it was indeed identified in our previous audit. As such, while we accept this representation and apologize for our error, our decision to assess an incorrect information penalty under subsection 188.1(7) of the Act is unaffected.

## **Advantages not listed on official donation receipts.**

In our original proposal letter dated October 5, 2021<sup>2</sup>, we informed the Organization that its ODRs were non compliant as the ODRs did not include a complete description of the advantages that certain donors received when they made gifts to the Organization.

## **Representations**

The Representations explained that whenever there was an advantage, the amount of the advantage was included on the ODR.

## **Our response to the Representations**

We acknowledge that the Organization's ODRs did display the advantage amount (where applicable); however, the ODRs did not include a description of the advantages. This remains a non-compliance issue that the Organization must address to ensure that its ODRs are fully compliant with the Act and the Regulations.

## **The serial numbers for the Organization's official donation receipts are not in a logical order**

In our letter dated October 5, 2021, one of our audit findings was that the serial numbers of the Organization's ODRs did not follow a logical order. We advised the Organization that it was its responsibility to ensure that it maintain its information in a manner that enables the Minister (that is, the CRA) to verify the correctness of such information.

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<sup>2</sup> Note that the findings of this letter were replaced by our second letter dated July 4, 2022. We are referring to our October 5, 2021, here as the Representations included references to audit findings that were listed only in the October 5, 2021, letter. To provide administrative fairness, we believe that it is important that we address those representations even though the non-compliance issues in question were not addressed in our July 4, 2022, letter nor did they result in the financial sanctions.

## **Representations**

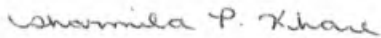
The Representations explained that the statement regarding the illogical sequencing of the serial numbers is incorrect since their receipting software [REDACTED] uses a logical numerical sequencing that starts from one (1) at the beginning of every calendar year. The missing numerical documents were children's art and fitness tax receipts and RL-24 slips that the [REDACTED] system also issues, in addition to ODRs. One feature of the [REDACTED] system is when mistakes are made in one or multiple receipts, all receipts are cancelled and their numbers are not reattributed. For example, if the Organization prepares 150 receipts and later realizes that the date is incorrect on every receipt, all receipts are cancelled and new receipts with new numbers are issued.

## **Our response to the Representations**

We have considered the representations and acknowledge that the missing ODRs were the result of the Organization using the numbering sequence to issue other tax credits and RL-24 slips. Please note that if the Organization prepared an ODR that contained incorrect information, but has not sent it to the donor, the charity can prepare a new receipt. However, the charity must keep both copies of the original receipt and mark the respective ODRs as "cancelled".

We trust the foregoing fully explains our position.

Yours sincerely,



Sharmila Khare  
Director General  
Charities Directorate

## **Enclosure**

- CRA letter dated July 4, 2022
- Organization's response of August 15, 2022
- CRA letter dated October 5, 2021
- Organization's response of March 23, 2022

c.c.: [REDACTED]

July 4, 2022

**Registered Mail**

David Perlis

President

LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. /  
JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.

6502 Kildare

Côte Saint-Luc QC H4W 3B8

BN: 10753 4893 RR0001

File No.: 0156919

Dear David Perlis :

**Subject: Audit of LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. / JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.**

This letter results from the audit of LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. / JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC. (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from July 1, 2013 to June 30, 2015.

We received the Organization's letter dated March 23, 2022 (enclosed), responding to our administrative fairness letter of October 5, 2021 (enclosed) in which we proposed to assess a false information penalty and suspension to the Organization under subsection 188.1(9) and paragraph 188.2(2)(c) of the Income Tax Act (the Act).

In its March 23, 2022 letter (the Representations) the Organization acknowledges its role in the non-compliance identified in our October 5, 2021 letter, but requested that the CRA consider a less severe resolution to the current audit. Specifically, the Organization requested that the CRA consider a Compliance Agreement to address the non-compliance.

Despite the Organization's representations, we maintain our position that the Organization has not complied with either the requirements of the Income Tax Act (the Act) or the corrective measures that it had agreed to implement in a previous Letter of undertaking (LOU) with the CRA. The LOU, dated March 21, 2003 (enclosed), specifically addressed the type of non-compliance that the current audit has identified. Accordingly, given the Organization's history of repeated non-compliance regarding its receipting practices, it is our view that a Compliance Agreement is not a reasonable compliance measure to address the identified non-compliance.

We acknowledge the significant financial impact that assessing the proposed false information penalty would have on the Organization and its ability to continue delivering

its programs in pursuit of fulfilling its charitable purposes. In this regard, in the Representations the Organization explained how “Applying the Penalty would be financially catastrophic and would threaten the Organization’s ability to continue operating. The proposed penalty constitutes approximately 76% of the total value of the Organization’s net asset [sic]. It is likely that a requirement to pay the penalty in full would render the charity insolvent.”

Given the above referenced concern, we are no longer considering assessing a false information financial penalty and suspension, and are now proposing an incorrect information penalty under subsection 188.1(7) of the Act, along with a proposal to suspend the Organization’s registered status under paragraph 188.2(2)(c) of the Act.

As we explained our audit findings in detail in our October 5, 2021 administrative fairness letter, we will not be including the analysis again in this letter. Our prior letter is enclosed and can be referred to for further information. In this letter, we explain why it is our view that the two sanctions listed in the preceding paragraph should be assessed<sup>1</sup>.

The purpose of this letter is to outline our decision to propose a different compliance measure in response to the audit findings and initial representations. The revised compliance measures in this letter replace the financial sanction and suspension proposed in our letter dated October 5, 2021<sup>2</sup>. Accordingly, any additional representations that the Organization prepares for, and submits to, the CRA should be made in response only to the compliance measures considered in this letter.

As we are presenting revised compliance measures, the Organization will have another opportunity to respond to our audit findings and present additional representations. Additionally, we will address all of the Organizations representations in detail at the conclusion of the audit; including the Representations that were provided by the Organization on March 23, 2022.

	<b>Areas of non-compliance</b>	<b>Reference</b>
1.	Failed to issue donation receipts in accordance with the Act and/or its Regulations <ol style="list-style-type: none"><li>Failed to meet general requirements of the Income Tax Regulations</li><li>Incorrect information</li></ol>	149.1(2), 168(1)(d),  Reg. 3500 and 3501  188.1(7), 188.2(2)(c)

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<sup>1</sup> That is, a financial sanction under subsection 188.1(7) of the Act, and a suspension under paragraph 188.2(2)(c) of the Act.

<sup>2</sup> That is, a false information sanction under subsection 188.1(9), and a suspension under paragraph 188.2(1)(c).

As a registered charity, the Organization must comply with the law. If it fails to comply with the law, it may either be subject to sanctions under sections 188.1<sup>3</sup> and/or 188.2<sup>4</sup> of the Act, and/or have its registered charity status revoked in the manner described in section 168 of the Act.

This letter describes the 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.

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

### **Identified area of non-compliance**

#### **1. Failed to issue donation receipts in accordance with the Act and/or its Regulations/Issuing receipts containing incorrect information**

##### **a. Failed to meet general requirements of the Income Tax Regulations**

In both the LOU and the Representations, the Organization acknowledged that it is committed to ensuring that it will be fully compliant in the future with both the Act and the CRA's policies and guidance products. While the Representations were specifically related to the Organization's failure to meet the terms of the CRA's split-receipting guidance and the publication IC75-23, Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools as well, the Organization is also required to extend its commitment to ensuring that it meets the general requirements established in Regulation 3501(1).

Our current audit found that during the audit period the Organization failed to include the following information on its official donation receipts (ODRs) as required by Regulation 3501(1):

- a description of the advantage, if any, in respect of the gift and the amount of that advantage<sup>5</sup>; and
- the serial number of the ODR, where the issuance of the ODRs follows a logical numerical sequencing. For example:
  - The ODRs for the period of January 1, 2013 to December 31, 2013 follow the receipt order from 2 to 549, then 615, 616, 800, 801, 803, 808 and 809.

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<sup>3</sup> Financial sanctions are assessed under Section 188.1 of the Act.

<sup>4</sup> Suspensions of a registered charity's authority to issue official donation receipt, and qualified donee status, are assessed under section 188.2 of the Act.

<sup>5</sup> In most cases the advantages received by the Organization's donors were the portions of the donations (that is, the tuition payments) that were related to the provision of secular instruction.

This makes it appear as though the ODRs numbered 550 to 614, and 617 to 799, and 802, 804, 805, 806, 807 are missing;

- The ODRs for the period of January 1, 2014 to December 31, 2014 are numbered from 2297 to 2593; and
- The ODRs for the period of January 1, 2015 to December 31, 2015 are numbered from 580 to 815.

b. Incorrect Information

As outlined in our letter dated October 5, 2021, we found that the Organization has issued ODRs that contained false information, and as a result of this finding we proposed to assess a subsection 188.1(9) penalty against the Organization. If we were to assess this penalty as per our proposal, we would also be required to suspend the Organization under paragraph 188.2(1)(c) of the Act as the subsection 188.1(9) in each year it would have exceeded \$25,000.

For the reasons identified in our letter dated October 5, 2021, we maintain our view that the Organization displayed culpable conduct when it issued erroneous ODRs and that it would be reasonable for us to assess a false information penalty under subsection 188.1(9) of the Act. However, in its Representations the Organization has described the significant financial impact to itself that would result if we were to assess such a penalty against the Organization, and we acknowledge the significance of the financial impact that would result from the previously proposed penalty.

While we maintain our position that a subsection 188.1(9) could be assessed to address the non-compliance, in our letter dated October 5, 2021 we failed to consider less punitive sanctions that can also be used to address the receipting related non-compliance identified by the audit.

The purpose of this letter is to document our decision to propose the assessment of a penalty under subsection 188.1(7) of the Act and a suspension under paragraph 188.2(2)(c) of the Act.

**188.1(7) Incorrect information**

Except where subsection (8)<sup>6</sup> or (9) applies, every registered charity, registered Canadian amateur athletic association and registered journalism organization that issues, in a taxation year, a receipt for a gift otherwise than in accordance with this Act and the regulations is liable for the taxation year to a penalty equal to 5% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

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<sup>6</sup> Subsection 188.1(8) of the Act is a penalty that is assessed for a subsequent assessment of an incorrect information penalty within a 5-year period.

### **188.2(2) Notice of suspension – General**

The Minister may give notice by registered mail to a person referred to in any of paragraphs (a) to (c) of the definition “qualified donee”<sup>7</sup> in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the Income Tax Regulations is suspended for one year from the day that is seven days after the day on which the notice is mailed

(c) in the case of a person referred to in paragraph (a) of the definition “qualified donee” in subsection 149.1(1), if the person has issued a receipt for a gift otherwise than in accordance with this Act and the regulations.

### **Audit findings**

As explained both in our letter dated October 5, 2021 and earlier in this letter, the audit found that the Organization issued ODRs that contained errors. The errors led to the majority of the Organization’s donors receiving ODRs that were in excess of the correct value of the gift that they had made to the Organization.

In the Representations, the Organization did not provide documentary evidence to support that the ODRs were accurate. Rather, as indicated above, the Organization acknowledged that each of the identified ODRs contained inflated donation values and attributed the inflated donation values to the unauthorized misconduct of [REDACTED] the Organization’s Director of Finance and Administration, and to its lack of oversight over the work [REDACTED] conducted for the Organization.

Accordingly, we are now proposing a penalty under subsection 188.1(7) for issuing ODRs that contained incorrect information.

The non-compliance the Organization exhibited when it issued over \$7,700,000 in ODRs containing incorrect information meets the criteria for the application of a penalty under subsection 188.1(7) of the Act. Given that:

- the ODRs were not issued in accordance with the Act and the regulations;
- the Organization issued inflated ODRs that it knew to be inaccurate;
- the difference between the correct donation value and the donation value listed for each ODR is material<sup>8</sup>; and
- the non-compliance had previously been identified in a prior audit and addressed with an LOU.

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<sup>7</sup> The definition of qualified donee includes registered charities, such as the Organization.

<sup>8</sup> As explained in our letter dated October 5, 2021 (enclosed), in the 2013-2014 fiscal period several ODRs were issued for \$425.08 (\$2,425.08 - \$2,000) more than the correct donation amount, while in the 2014-2015 fiscal period the discrepancy was \$950.66 (\$2,950.66 - \$2,000). Please refer to the enclosed letter for more information in this regard.

It is our view that the non-compliance warrants the application of an incorrect information penalty under subsection 188.1(7) of the Act. It is also our view the non-compliance is material and supports the application of a suspension of the Organization's registered status under paragraph 188.2(2)(c) of the Act.

### **Penalty proposed**

Based on the audit findings, it is our view that the Organization issued ODRs with incorrect information. As a result, we are proposing to assess a penalty under subsection 188.1(7) of the Act. The penalty is applicable in situations wherein a person, such as a qualified donees, makes an incorrect statement.

### **Penalty calculation:**

**LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. /  
JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.**

<b>Fiscal Period</b>	<b>Type of Sanction</b>	<b>Sanction</b>	<b>Sanctioned</b>	<b>Sanction</b>
<b>Ending</b>		<b>%</b>	<b>Amount<sup>9</sup></b>	
June 30, 2014	Incorrect information <sup>10</sup>	5%	\$4,226,038	\$211,302
June 30, 2015	Incorrect information	5%	\$3,543,714	\$177,186
		<b>Total</b>	<b>\$7,769,752</b>	<b>\$388,488</b>

### **Suspension proposed**

Furthermore, paragraph 188.2(2)(c) of the Act provides, where a person has issued a receipt otherwise than in accordance with the Act and the regulations, the "Minister may give notice [...] that the authority of the person to issue an official donation receipt [...] is suspended for one year from the day that is seven days after the day on which the notice is mailed."

In multiple audits, including the current audit, we have found that the Organization does not meet the legislative requirements listed in the Act and its Regulations regarding the contents of ODRs. We have also repeatedly identified instances wherein the Organization has issued ODRs to its donors which provided the donors donation tax credits/deductions that materially exceeded what the credits/deductions should have been.

Given the materiality and severity of the non-compliance, and given that the Organization has displayed a history of non-compliant receipting practices, we propose that the Organization's charitable status be suspended under paragraph 188.2(2)(c) of the Act.

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<sup>9</sup> This represents the total of the amounts reported as eligible amounts stated on all official donation receipts issued with incorrect information.

<sup>10</sup> This penalty is assessed under subsection 188.1(7) of the Act, and is assessed against the total amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction or a credit.

## **In summary**

Based on the above audit findings, we are considering financially sanctioning and suspending the Organization for issuing ODRs containing incorrect information. It is our view that there are grounds to assess an incorrect information penalty under subsection 188.1(7) of the Act. It is also our view that there are grounds to suspend the Organization's authority to issue official donation receipts for one year under paragraph 188.2(2)(c) for issuing official donation receipts not in accordance with the Act and the regulations.

## **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, we 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

### **b) Do not respond**

You may choose not to respond. In that case, we may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go on our website at <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01.html>.

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers below. My team leader, Robert Bill, may also be reached at 514-229-0589

Yours sincerely,



Sophie Nguyen  
Audit Division  
Montreal Tax Services Office (TSO)

Telephone: (438) 334-0699  
Facsimile: (514) 283-2769  
Address: 305 Rene-Levesque Boulevard West  
Montreal QC H2Z 1A6

Enclosure : Letter of undertaking dated March 21, 2003  
Administrative fairness letter dated October 5, 2021  
Representations dated March 23, 2021

cc:



[REDACTED]

August 15, 2022

**PRIVATE AND CONFIDENTIAL**

**DELIVERED VIA FAX** [REDACTED] [REDACTED]

CANADA REVENUE AGENCY  
Audit Division  
Montreal Tax Services Office (TSO)  
300 Rene-Levesque Boulevard West  
Montreal, Qc, H2Z 1A6

To the attention of Ms. Sophie Nguyen

Dear Ms. Nguyen:

**Re: Additional submissions presented by the Jewish People's Schools and Peretz Schools Inc. (the "Charity") to the Canada Revenue Agency (the "CRA") following the issuance of the correspondence dated July 4, 2022 (the "Second Administrative Fairness Letter" or the "SAFL")**

We are writing to provide the Charity's response to the Second Administrative Fairness Letter (SAFL) sent to the Charity on or about July 4, 2022 (a copy of the SAFL is attached as **Schedule A**). The SAFL proposes to assess a penalty for issuing receipts containing incorrect information (the "**New Monetary Penalty**") and to suspend the Charity's authority to issue official donation receipts for a period of one year pursuant to subsection 188.1(7) and paragraph 188.2(2)(c) of the *Income Tax Act* (the "**ITA**"), respectively.

The Charity has carefully reviewed the SAFL and is most appreciative of the decision of the CRA not to impose the penalty under subsection 188.1(9) of the ITA (the "**Previous Penalty**") as previously proposed in the initial administrative fairness letter dated October 5, 2021 (the "**Administrative Fairness Letter**" or the "**AFL**"). The financial impact of the Previous Penalty would have been extremely significant for the Charity and its ability to continue delivering its programs in pursuit of its charitable purposes. Despite the fact that the New Monetary Penalty proposed in the SAFL will also negatively impact the Charity by depriving it of a material amount that would have been used to pursue its charitable activities, the Charity has decided not to present additional arguments to the CRA against its application.

[REDACTED]

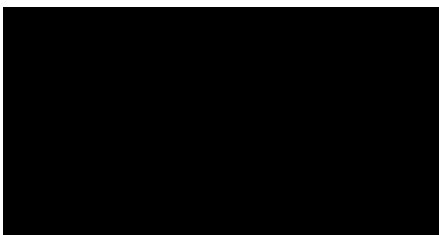
In the attached additional submissions to the SAFL, the Charity is solely addressing the issue of the proposal to suspend the Charity's authority to issue official donation receipts for a period of one year. We respectfully submit that the proposed suspension is not warranted in this circumstance. Suspensions of this nature are normally reserved for circumstances in which a Charity has demonstrated a pattern of wilful disregard or indifference towards the rules in the Act. That is not the case for the Charity. As addressed in our submissions in response to the AFL, the receipting errors identified in the audit were solely the result of misconduct by a single employee, which the Charity addressed immediately upon discovering it. For a charity that has or is demonstrating a clear commitment to compliance, a suspension of receipting privileges is unnecessarily punitive. Furthermore, the proposed suspension would definitely lead to negative outcomes, not only for the Charity, but also for the parents (donors) of the students and the students themselves. The suspension would also preclude the Charity from fundraising in order to cover the cost of its general operations. It goes without saying that the ability to fundraise is an essential activity for a private school in Canada.

The attached additional submissions memorandum addresses the following items:

- Comments on the SAFL to address incomplete and/or incorrect statements;
- Comments on the other area of alleged non-compliance regarding the donation receipts issued by the Charity during the periods audited;
- Negative impacts of the suspension for the Charity, the parents of the students and the students;
- Proposed sanction.

As previously mentioned, the Charity's objective is entirely aligned with that of the CRA to do everything possible to understand how the issue arose and to ensure that it is fully corrected.

We believe that upon reviewing the additional submissions, it will be evident that these circumstances do not warrant the suspension of the Charity's registered status and that

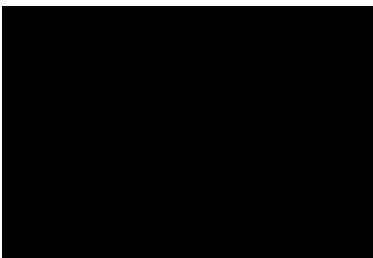
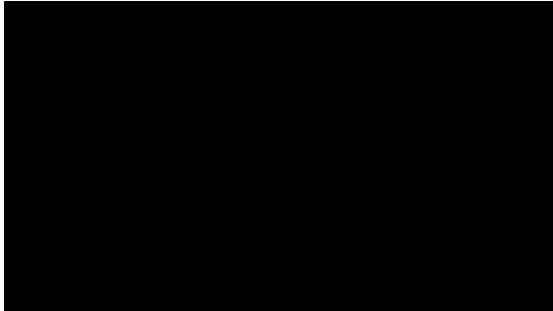


these issues can be addressed adequately and more appropriately with a compliance agreement.

If you have any questions or comments, please contact me at your convenience.

Trusting the whole to your satisfaction,

Yours truly,



## SUBMISSIONS MEMORANDUM

1. In its correspondence dated July 4, 2022 (the “**Second Administrative Fairness Letter**” or the “**SAFL**”) attached as **Schedule A**, the CRA proposed to assess the Charity a penalty for issuing official donation receipts containing incorrect information under subsection 188.1(7) of the *Income Tax Act* (the “**ITA**”) (the “**New Monetary Penalty**”) along with a proposal to suspend the Charity’s authority to issue official donation receipts for a period of one year under paragraph 188.2(2)(c) of the ITA.
2. As noted in the cover letter, this submissions memorandum only addresses the proposal of the CRA to suspend the Charity’s registered status for a period of one year, as the Charity has decided not to contest the application of the proposed New Monetary Penalty.
3. In this submissions memorandum, we respectfully submit that, the proposed suspension of receipting privileges is unwarranted and excessively punitive in the circumstances. The Charity is committed to utmost compliance and has worked diligently since uncovering the misconduct by a single employee that resulted in the issuance of receipts. The Charity never intended to issue receipts with incorrect information, and it was only as a result of the unauthorized actions of a single employee. The proposed suspension would be an unreasonable hardship, not only on the Charity, but also the Charity’s students and their parents (who had nothing to do with the receipting errors). We believe that the issues in the SAFL can be addressed appropriately by imposing the New Monetary Penalty and by entering into a compliance agreement, with no suspension of receipting privileges.
4. We will first address certain statements in the SAFL that are incomplete or incorrect. We will then address why we believe the suspension should not be imposed in these circumstances.

### **(A) COMMENTS ON THE SAFL - Incomplete and/or incorrect statements**

5. While the Charity appreciates the extensive work performed by the CRA in analyzing the submissions presented by the Charity on March 23, 2022 and in preparing the SAFL, this memorandum highlights statements in the SAFL that, it is submitted, are either incomplete and/or incorrect.
6. There are multiple references in the SAFL to a previous audit conducted by the CRA for the fiscal year ended June 30, 2001 (the “**Previous Audit**”) as well as to a letter of undertaking (the “**LOU**”) with the CRA signed by the Charity as a consequence of the Previous Audit.
7. It is respectfully submitted that certain of these references are incomplete and/or incorrect:

*“[...] the Organization has not complied with either the requirements of the Income Tax Act (the Act) or the corrective measures that it had agreed to implement in a previous Letter of undertaking (LOU) with the CRA. The LOU, dated March 21, 2003 (enclosed) specifically addressed the type of non-compliance that the current audit has identified.” p.1*

*“[...] given the Organization’s history of repeated non-compliance regarding its receipting practices.” p.1*

*“[...] the non-compliance had previously been identified in a prior audit and addressed with a LOU.” p.5*

*“In multiple audits, including the current audit, we have found that the Organization does not meet the legislative requirements listed in the Act and its Regulations regarding the contents of the ODRs. We have also repeatedly identified instances wherein the Organization has issued ODRs to its donors which provided the donors donation tax credits/deductions that materially exceeded what the credits/deductions should have been.” p.6*

*“[...] and given that the Organization has displayed a history of non-compliant receipting practices [...]”p.6*

8. Please note that the Charity does not intend to minimize the conclusions of the Previous Audit, but rather to correct incomplete and/or incorrect statements in the SAFL, as well as to offer context.

9. Before the current audit, only one (1) previous audit, the Previous Audit, which was only in relation to the fiscal year ended June 30, 2001, was performed by the CRA. The Previous Audit unveiled only a minor error in the calculation methodology established by the Charity for the allocation per pupil of the secular portion of the tuition fees. Moreover, the Previous Audit was concluded over 19 years ago, during Spring of 2003.
10. In December 2021, the CRA provided to the Charity a copy of their audit file (the “**Audit File**”) including the documents related to the Previous Audit. The Audit File only includes the following information regarding the Previous Audit and the CRA confirmed to the Charity that no other information and/or documents on the Previous Audit were available:
- a) the Director of Finance (the “**DFA**”) of the Charity was, for the Charity’s 2001 year-end and at the time of the Previous Audit, [REDACTED], who also seems to have been the principal person dealing with the CRA during the Previous Audit;
  - b) on March 13, 2003, a letter was sent by the CRA to the Charity containing its audit findings for the June 30, 2001 year-end. At page 3, the CRA indicates that there was one element of non-compliance regarding the calculation, resulting in the CRA revising the allocation per pupil of the secular portion of tuition fees to \$1,400.00, which was \$200.00 more than the Charity’s calculation of that amount. A copy of the March 13, 2003 letter is attached as **Schedule B**. No other errors were detected by the CRA during the Previous Audit regarding the donation receipts issued by the Charity;
  - c) on March 21, 2003, Ms. Louise Dubé of the CRA sent a letter to the Charity addressed to [REDACTED]. At page 3 of this letter, the CRA informs the Charity that the allocation per pupil of the secular portion of the tuition fees was revised (from \$1,200.00 to \$1,400.00) and that the Charity was required to send an undertaking to the CRA within 30 days as to how the Charity planned to address the problem. Please note that the letter does

not explain what aspect of the calculation was revised by the CRA to arrive at the higher cost per pupil. A copy of the March 21, 2003 letter is attached as **Schedule C**;

- d) on April 1<sup>st</sup>, 2003, [REDACTED] corresponded with the CRA indicating that the calculation methodology for the allocation per pupil of the secular portion did contain a **minor error** and that future calculations would correct this minor error. A copy of the April 1<sup>st</sup>, 2003 letter is attached as **Schedule D**.

11. Unfortunately, the details of the elements analysed by the CRA in the course of the Previous Audit are not available to the Charity and it is impossible for the Charity to know precisely the **minor error** that was detected by the CRA in the calculation methodology previously used by the Charity.

12. However, it is reasonable to draw the following conclusions from the documents found in the CRA Audit File:

- a) the Charity was using a calculation methodology that was aligned with the applicable CRA policies and only **one minor error** in this methodology was detected by the CRA. The CRA agreed that the error was minor; and
- b) the Charity agreed to correct this minor error for all future calculations.

13. From the information gathered internally at the Charity, it is understood that the minor error was, in fact, properly corrected by [REDACTED] in the calculations done for subsequent years and [REDACTED] used an accurate calculation method until [REDACTED] ceased working for the Charity on January 15, 2007. The Board of the Charity and the Head of School (the "**HOS**") were never made aware that the calculation methodology was modified or no longer being used by [REDACTED] successor,  
[REDACTED]

14. Therefore, the Charity respectfully submits the SAFL is incorrect in stating:

- a) that "*The LOU, dated March 21, 2003 (enclosed) specifically addressed the type of non-compliance that the current audit has identified*" as the CRA does not have any information on the minor error in the calculation aside from its value; and

- b) that the Charity has a “*history of repeated non-compliance regarding its receipting practices*” and that “*In multiple audits, including the current audit*” the CRA have found that the Charity “*does not meet the legislative requirements listed in the Act and its Regulations regarding the contents of the ODRs*”. The Previous Audit, finalized over 19 years ago, is the only other audit conducted by the CRA, which identified a minor non-compliance element in the Charity’s receipting practices.

**(B) COMMENTS ON THE OTHER AREA OF NON-COMPLIANCE REGARDING THE DONATION RECEIPTS DETECTED BY THE CRA**

15. During the current audit, the CRA detected two additional alleged anomalies in the donation receipts issued by the Charity:

- a) the donation receipts do not include a description of the advantage in respect of the gift and the amount of that advantage;
- b) the serial numbers of the donation receipts are not following a logical order.

16. The Charity wishes to point out to the CRA that all donation receipts issued for the periods audited included the amount of the advantage received by the donors. Some donation receipts issued by the Charity during the periods audited by the CRA are part of the CRA Audit File (p.420 to 460 of the CRA Audit File).

17. In the SAFL, the CRA indicated that the issuance of the donation receipts did not follow a logical numerical sequencing:

*“The ODRs for the period of January 1, 2013 to December 31, 2013 follow the receipt order from 2 to 549, then 615, 616, 800, 801, 803, 808 and 809. This makes it appears as though the ODRs numbered 550 to 614, and 617 to 799, and 802, 804, 805, 806, 807 are missing;*

*The ODRs for the period of January 1, 2014 to December 31, 2014 are numbered from 2297 to 2593; and*

*The ODRs for the period of January 1, 2015 to December 31, 2015 are numbered from 580 to 815" p. 3 and 4*

18. These statements in the SAFL appear to be incorrect.

19. Below are the important features of the receipting software [REDACTED] used by the Charity to issue its donation receipts:

- a) the software uses a logical numerical sequencing that starts from one (1) at the beginning of every calendar year;
- b) the software does not only issue the federal donation receipts for the Charity, but also issues the Children's art and fitness tax receipts and the RL-24 slips – Childcare expenses;
- c) When mistakes are made in one or multiple receipts, all receipts are cancelled and their numbers are not reattributed. For example, if the Charity prepares 150 receipts and later realizes that the date is incorrect on every receipt, all receipts are cancelled and new receipts with new numbers are issued;
- d) [REDACTED] is a legitimate software used for tax preparation by numerous corporate entities across the country.

20. For the calendar year 2013, the following receipts were issued:

- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA;**
- [REDACTED] cancelled;
- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] cancelled;
- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] cancelled;

- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] cancelled;
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- [REDACTED] cancelled;
- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] cancelled;
- [REDACTED] : RL-24 slips – Childcare expenses;
- [REDACTED] cancelled;
- [REDACTED] **official donation receipts under the ITA;**
- [REDACTED] Children’s art and fitness tax receipt;
- [REDACTED] **official donation receipt under the ITA ;**
- [REDACTED] Children’s art and fitness tax receipt;
- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] : **official donation receipts under the ITA;**
- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] **official donation receipt under the ITA ;**
- [REDACTED] Children’s art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] Children’s art and fitness tax receipt.

21. For the calendar year 2014, the following receipts were issued:

- [REDACTED] Children’s art and fitness tax receipt;
- [REDACTED] cancelled;

- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] : cancelled;
- [REDACTED] Children's art and fitness tax receipt;
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- [REDACTED] Children's art and fitness tax receipt;
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- [REDACTED] cancelled;
- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] cancelled;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] cancelled;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] cancelled;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] cancelled;
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- [REDACTED] **official donation receipts under the ITA ;**
- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA ;**

- [REDACTED] RL-24 slips – Childcare expenses;
- [REDACTED] Children's art and fitness tax receipt;
- [REDACTED] **official donation receipts under the ITA .**

22. For the calendar year 2015, the following receipts were issued:

- a) [REDACTED] ncelled;
- b) [REDACTED] Children's art and fitness tax receipt;
- c) [REDACTED] cancelled;
- d) [REDACTED] Children's art and fitness tax receipt;
- e) [REDACTED] cancelled;
- f) [REDACTED] Children's art and fitness tax receipt;
- g) [REDACTED] RL-24 slips – Childcare expenses;
- h) [REDACTED] cancelled;
- i) [REDACTED] RL-24 slips – Childcare expenses;
- j) [REDACTED] Children's art and fitness tax receipt;
- k) [REDACTED] RL-24 slips – Childcare expenses;
- l) [REDACTED] Children's art and fitness tax receipt;
- m) [REDACTED] RL-24 slips – Childcare expenses;
- n) [REDACTED] Children's art and fitness tax receipt;
- o) [REDACTED] RL-24 slips – Childcare expenses;
- p) [REDACTED] Children's art and fitness tax receipt;
- q) [REDACTED] RL-24 slips – Childcare expenses;
- r) [REDACTED] cancelled;
- s) [REDACTED] Children's art and fitness tax receipt;

t) [REDACTED] RL-24 slips – Childcare expenses;  
u) [REDACTED] Children’s art and fitness tax receipt;  
v) [REDACTED] RL-24 slips – Childcare expenses;  
w) [REDACTED] Children’s art and fitness tax receipt;  
x) [REDACTED] RL-24 slips – Childcare expenses;  
y) [REDACTED] Children’s art and fitness tax receipt;  
z) [REDACTED] RL-24 slips – Childcare expenses;  
aa) [REDACTED] Children’s art and fitness tax receipt;  
bb) [REDACTED] RL-24 slips – Childcare expenses;  
cc) [REDACTED] cancelled;  
dd) [REDACTED] RL-24 slips – Childcare expenses;  
ee) [REDACTED] cancelled;  
ff) [REDACTED] RL-24 slips – Childcare expenses;  
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hh) [REDACTED] RL-24 slips – Childcare expenses;  
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jj) [REDACTED] RL-24 slips – Childcare expenses;  
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oo) [REDACTED] cancelled;  
pp) [REDACTED] : RL-24 slips – Childcare expenses;

qq) [REDACTED] cancelled;  
 rr) [REDACTED] Children's art and fitness tax receipt;  
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 zz) [REDACTED] Children's art and fitness tax receipt;  
 aaa) [REDACTED] cancelled;  
 bbb) [REDACTED] Children's art and fitness tax receipt;  
 ccc) [REDACTED] **official donation receipts under the ITA ;**  
 ddd) [REDACTED] : Children's art and fitness tax receipt;  
 eee) [REDACTED] **official donation receipts under the ITA ;**  
 fff) [REDACTED] Children's art and fitness tax receipt.

23. As such, when properly understood, the serial numbers included on the official donation receipts issued by the Charity during the Audit Period are logical and fit within the overall numbering system imposed by the Charity's accounting software. The ITA and CRA policy requires only that each receipt contain a "unique serial number".<sup>1</sup> The numbering system used by the Charity for its official

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<sup>1</sup> See CRA publication, *What information must be on an official donation receipt from a registered charity?* (<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/what-information-must-on-official-donation-receipt-a-registered-charity.html>)

donation receipts was not random nor intended to be misleading, and is not a basis for sanctions under the ITA.

**(C) NEGATIVE IMPACTS OF THE SUSPENSION FOR THE CHARITY, THE PARENTS OF THE STUDENTS AND THE STUDENTS**

24. The proposed suspension of the Charity's authority to issue official donation receipts for a one-year period will not only negatively impact the Charity itself, but also third parties who bore no responsibility for the non-compliance issue raised by the CRA in the SAFL, namely the students and their parents.
25. As previously mentioned, the Charity did not have any intention to confer an inappropriate tax benefit on any person (in this case, the parents of the students) when it inadvertently overstated the amounts included in the donation receipts issued during the periods audited. Furthermore, the parents of the students who benefited from overstated donation receipts during the periods audited were completely unaware of this situation.
26. Moreover, the parents of the students that unintentionally benefited from a higher amount of tax credit for the periods audited are not the same as the parents of the current student body and depriving the latter of the federal donation receipts during the Charity's contemplated suspension is unjust to these particular taxpayers.
27. For the 2022-2023 school year, the tuition fees will be \$11,750.00 per student, which amount excludes multiple other expenses all related to attending school such as:
  - a) uniforms;
  - b) books;
  - c) school supplies;
  - d) extracurricular activities;
  - e) travelling expenses and more.

28. The federal tax credits available are taken into consideration by most parents when budgeting the education costs for their children, as these expenses are very onerous.
29. Without the federal tax credits, the financial burden on the parents of students will be materially increased, with the result that some families will be unable to send their children to the school operated by the Charity. The family revenue of the students attending the school of the Charity are extremely variable and many of them are supported by financial aid.
30. As previously mentioned, the Charity operates the only school in Montréal founded and based on a pluralistic vision of Judaism offering instruction in both Hebrew and Yiddish and the inclusion of cultural and religious education. It is also the only Jewish school in Montreal accredited to offer the International Baccalaureate program. The primary motivation behind parents choosing the Charity as the school for their children is the very high quality of the education, both secular and religious, that has been offered over the course of its now more than 100 years of service.
31. The students whose parents would not be able to afford the effective increase in the tuition would be left with no other option to obtain similar instruction combining Jewish education and the International Baccalaureate programs and the students would automatically be deprived from it. This is a tragic situation that the Charity wants to avoid.
32. The Charity would also directly suffer from this suspension in different ways such as:
- a) a probable loss of students that would lead to a lesser income for the Charity. The income generated by the Charity is necessary to sustain its operations. This could also result in teachers and/or other employees of the Charity having to be laid off;
  - b) the inability of the Charity to fundraise in order to be able to cover the cost of its general operations.

33. To the best of our knowledge, all of the other religious schools in the province of Québec offering Jewish education are issuing donation receipts. If the Charity's authority to issue official donation receipts is suspended for a period of one year, the community would most likely react very harshly, losing faith in the Charity and its Board and the credibility of both the Charity and the Board would be greatly affected. This is particularly harsh in light of the fact that the current Board and the HOS have taken the issues raised by the current audit seriously and have implemented measures to ensure utmost compliance.
34. The potential negative impacts for the Charity would most likely last many years after the end of the suspension.

#### **(D) PROPOSED SANCTIONS**

35. The Charity respectfully submits that it would be just and reasonable for the CRA to exercise its discretion not to suspend the Charity's receipting privileges and status as a qualified donee for a period of one year.
36. The Charity strongly believes that assessing the New Monetary Penalty alongside with a formal compliance agreement entered into by the Charity would be the appropriate corrective measures under the specific circumstances described in the Charity's representations sent on March 23, 2022 and the present memorandum.
37. As outlined in Guidelines for applying sanctions<sup>2</sup> (the "**Guidelines**"), the suspension is the most severe sanction aside from the revocation of a charity's registration.
38. The suspension is not aligned with the general progressive discipline that is normally applied in such cases.
39. Furthermore, the Guidelines specifically contemplate a situation where the CRA would be more likely to decline to impose a severe sanction, and opt instead to

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<sup>2</sup> Canada Revenue Agency, "Guidelines for applying sanctions" (last modified 2017-10-31) available online: (<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidelines-applying-sanctions.html>) [*Guidelines*].

use a compliance agreement, where the unauthorized actions of one of the charity's employees has led to a serious case of non-compliance with the ITA:

*This describes our general approach. However, we know that exceptional circumstances arise, and we intend to allow for them. For example, **we would be more likely to use a compliance agreement than a sanction for a case of serious non-compliance resulting from the unauthorized actions of a single employee**, where the charity is ready to take steps to rectify the situation and prevent a recurrence.<sup>3</sup>*

40. As described in the March 23, 2022 representations, this is precisely the circumstance with which the Charity is faced. The unauthorized misconduct of a single employee, otherwise highly qualified and trusted throughout her career with the Charity and on whom the Charity reasonably relied, has exposed the Charity to the suspension and the New Monetary Penalty. The Charity's volunteer Board was kept in the dark [REDACTED] and it did not realize [REDACTED] misconduct until it received the AFL in October 2021. The Charity and its Board recognize that the Charity is ultimately accountable for the actions of its employees, and deeply regret what has been uncovered by this audit. However, the non-compliance that has been uncovered is not systemic within the Charity, and we believe that the CRA should not suspend the Charity's registered status as a result of these deeply unfortunate circumstances. As previously mentioned, the Charity has no objection to pay the New Monetary Penalty as a sanction to the acts uncovered in the audit.

41. The 2003 LOU was in respect only of a minor error in the calculation. The Charity does not have a record of serious non-compliance and, indeed, the Charity and its Board believed that the Charity was operating in conformity to the ITA and the LOU until it received the AFL.

42. Where the CRA has imposed suspensions of receipting privileges, it has normally been in the context of registered charities that are found to have issued false receipts in circumstances amounting to culpable conduct, in which case the imposition of the suspension is automatic, or it has been imposed in situations

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<sup>3</sup> Supra, note 1.

where the charity has shown clear disregard for ITA compliance, has acted as a conduit for non-qualified donees, or has otherwise engaged in serious non-compliance either knowingly or with indifference as to compliance. For the reasons set out above and in our submissions of March 23, 2022, that is clearly not the case for the Charity.

43. It is respectfully submitted that, in all the circumstances, the Charity should be given the opportunity to enter into a formal compliance agreement with the CRA confirming appropriate corrective measures to be undertaken by the Charity and to be assessed with the New Monetary Penalty. This will provide needed assurance to the CRA, and will enable the Charity to continue serving its students and its community as it has done for over a century.

The undersigned attorney remains fully available for any questions and comments with regard to these submissions.

# SCHEDULE A



July 4, 2022



BN: 10753 4893 RR0001  
File #: 0156919  
Case number: 82071541

Dear 

**Subject: Audit of LES ECOLES JUIVES POPULAIRES ET LES ECOLES  
PERETZ INC. / JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.**

Further to our telephone conversation, please find attached the second administrative fairness letter dated July 4, 2022, in response to your representations dated March 23, 2022.

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.

Yours sincerely,



Sophie Nguyen  
Audit Division  
Montreal TSO

Telephone: 438-334-0699  
Facsimile: 514-283-2769  
Address: 305 René-Lévesque Boulevard West, 7th floor, P.O. 27  
Montreal, QC H2Z 1A6



July 4, 2022

**Registered Mail**

David Perlis

President

LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. /

JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.

6502 Kildare

Côte Saint-Luc QC H4W 3B8

BN: 10753 4893 RR0001

File No.: 0156919

Dear David Perlis :

**Subject: Audit of LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. / JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.**

This letter results from the audit of LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. / JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC. (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from July 1, 2013 to June 30, 2015.

We received the Organization's letter dated March 23, 2022 (enclosed), responding to our administrative fairness letter of October 5, 2021 (enclosed) in which we proposed to assess a false information penalty and suspension to the Organization under subsection 188.1(9) and paragraph 188.2(2)(c) of the Income Tax Act (the Act).

In its March 23, 2022 letter (the Representations) the Organization acknowledges its role in the non-compliance identified in our October 5, 2021 letter, but requested that the CRA consider a less severe resolution to the current audit. Specifically, the Organization requested that the CRA consider a Compliance Agreement to address the non-compliance.

Despite the Organization's representations, we maintain our position that the Organization has not complied with either the requirements of the Income Tax Act (the Act) or the corrective measures that it had agreed to implement in a previous Letter of undertaking (LOU) with the CRA. The LOU, dated March 21, 2003 (enclosed), specifically addressed the type of non-compliance that the current audit has identified. Accordingly, given the Organization's history of repeated non-compliance regarding its receipting practices, it is our view that a Compliance Agreement is not a reasonable compliance measure to address the identified non-compliance.

We acknowledge the significant financial impact that assessing the proposed false information penalty would have on the Organization and its ability to continue delivering

its programs in pursuit of fulfilling its charitable purposes. In this regard, in the Representations the Organization explained how “Applying the Penalty would be financially catastrophic and would threaten the Organization’s ability to continue operating. The proposed penalty constitutes approximately 76% of the total value of the Organization’s net asset [sic]. It is likely that a requirement to pay the penalty in full would render the charity insolvent.”

Given the above referenced concern, we are no longer considering assessing a false information financial penalty and suspension, and are now proposing an incorrect information penalty under subsection 188.1(7) of the Act, along with a proposal to suspend the Organization’s registered status under paragraph 188.2(2)(c) of the Act.

As we explained our audit findings in detail in our October 5, 2021 administrative fairness letter, we will not be including the analysis again in this letter. Our prior letter is enclosed and can be referred to for further information. In this letter, we explain why it is our view that the two sanctions listed in the preceding paragraph should be assessed<sup>1</sup>.

The purpose of this letter is to outline our decision to propose a different compliance measure in response to the audit findings and initial representations. The revised compliance measures in this letter replace the financial sanction and suspension proposed in our letter dated October 5, 2021<sup>2</sup>. Accordingly, any additional representations that the Organization prepares for, and submits to, the CRA should be made in response only to the compliance measures considered in this letter.

As we are presenting revised compliance measures, the Organization will have another opportunity to respond to our audit findings and present additional representations. Additionally, we will address all of the Organizations representations in detail at the conclusion of the audit; including the Representations that were provided by the Organization on March 23, 2022.

	<b>Areas of non-compliance</b>	<b>Reference</b>
1.	Failed to issue donation receipts in accordance with the Act and/or its Regulations <ul style="list-style-type: none"><li>a. Failed to meet general requirements of the Income Tax Regulations</li><li>b. Incorrect information</li></ul>	149.1(2), 168(1)(d),  Reg. 3500 and 3501  188.1(7), 188.2(2)(c)

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<sup>1</sup> That is, a financial sanction under subsection 188.1(7) of the Act, and a suspension under paragraph 188.2(2)(c) of the Act.

<sup>2</sup> That is, a false information sanction under subsection 188.1(9), and a suspension under paragraph 188.2(1)(c).

As a registered charity, the Organization must comply with the law. If it fails to comply with the law, it may either be subject to sanctions under sections 188.1<sup>3</sup> and/or 188.2<sup>4</sup> of the Act, and/or have its registered charity status revoked in the manner described in section 168 of the Act.

This letter describes the 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.

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

### **Identified area of non-compliance**

#### **1. Failed to issue donation receipts in accordance with the Act and/or its Regulations/Issuing receipts containing incorrect information**

##### **a. Failed to meet general requirements of the Income Tax Regulations**

In both the LOU and the Representations, the Organization acknowledged that it is committed to ensuring that it will be fully compliant in the future with both the Act and the CRA's policies and guidance products. While the Representations were specifically related to the Organization's failure to meet the terms of the CRA's split-receipting guidance and the publication IC75-23, Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools as well, the Organization is also required to extend its commitment to ensuring that it meets the general requirements established in Regulation 3501(1).

Our current audit found that during the audit period the Organization failed to include the following information on its official donation receipts (ODRs) as required by Regulation 3501(1):

- a description of the advantage, if any, in respect of the gift and the amount of that advantage<sup>5</sup>; and
- the serial number of the ODR, where the issuance of the ODRs follows a logical numerical sequencing. For example:
  - The ODRs for the period of January 1, 2013 to December 31, 2013 follow the receipt order from [REDACTED]

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<sup>3</sup> Financial sanctions are assessed under Section 188.1 of the Act.

<sup>4</sup> Suspensions of a registered charity's authority to issue official donation receipt, and qualified donee status, are assessed under section 188.2 of the Act.

<sup>5</sup> In most cases the advantages received by the Organization's donors were the portions of the donations (that is, the tuition payments) that were related to the provision of secular instruction.

- This makes it appear as though the ODRs numbered [REDACTED] are missing;
- The ODRs for the period of January 1, 2014 to December 31, 2014 are numbered from [REDACTED] and
  - The ODRs for the period of January 1, 2015 to December 31, 2015 are numbered from [REDACTED]

b. Incorrect Information

As outlined in our letter dated October 5, 2021, we found that the Organization has issued ODRs that contained false information, and as a result of this finding we proposed to assess a subsection 188.1(9) penalty against the Organization. If we were to assess this penalty as per our proposal, we would also be required to suspend the Organization under paragraph 188.2(1)(c) of the Act as the subsection 188.1(9) in each year it would have exceeded \$25,000.

For the reasons identified in our letter dated October 5, 2021, we maintain our view that the Organization displayed culpable conduct when it issued erroneous ODRs and that it would be reasonable for us to assess a false information penalty under subsection 188.1(9) of the Act. However, in its Representations the Organization has described the significant financial impact to itself that would result if we were to assess such a penalty against the Organization, and we acknowledge the significance of the financial impact that would result from the previously proposed penalty.

While we maintain our position that a subsection 188.1(9) could be assessed to address the non-compliance, in our letter dated October 5, 2021 we failed to consider less punitive sanctions that can also be used to address the receipting related non-compliance identified by the audit.

The purpose of this letter is to document our decision to propose the assessment of a penalty under subsection 188.1(7) of the Act and a suspension under paragraph 188.2(2)(c) of the Act.

**188.1(7) Incorrect information**

Except where subsection (8)<sup>6</sup> or (9) applies, every registered charity, registered Canadian amateur athletic association and registered journalism organization that issues, in a taxation year, a receipt for a gift otherwise than in accordance with this Act and the regulations is liable for the taxation year to a penalty equal to 5% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

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<sup>6</sup> Subsection 188.1(8) of the Act is a penalty that is assessed for a subsequent assessment of an incorrect information penalty within a 5-year period.

### **188.2(2) Notice of suspension – General**

The Minister may give notice by registered mail to a person referred to in any of paragraphs (a) to (c) of the definition “qualified donee”<sup>7</sup> in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the Income Tax Regulations is suspended for one year from the day that is seven days after the day on which the notice is mailed

(c) in the case of a person referred to in paragraph (a) of the definition “qualified donee” in subsection 149.1(1), if the person has issued a receipt for a gift otherwise than in accordance with this Act and the regulations.

### **Audit findings**

As explained both in our letter dated October 5, 2021 and earlier in this letter, the audit found that the Organization issued ODRs that contained errors. The errors led to the majority of the Organization’s donors receiving ODRs that were in excess of the correct value of the gift that they had made to the Organization.

In the Representations, the Organization did not provide documentary evidence to support that the ODRs were accurate. Rather, as indicated above, the Organization acknowledged that each of the identified ODRs contained inflated donation values and attributed the inflated donation values to the unauthorized misconduct of [REDACTED] the Organization’s Director of Finance and Administration, and to its lack of oversight over the work [REDACTED] conducted for the Organization.

Accordingly, we are now proposing a penalty under subsection 188.1(7) for issuing ODRs that contained incorrect information.

The non-compliance the Organization exhibited when it issued over \$7,700,000 in ODRs containing incorrect information meets the criteria for the application of a penalty under subsection 188.1(7) of the Act. Given that:

- the ODRs were not issued in accordance with the Act and the regulations;
- the Organization issued inflated ODRs that it knew to be inaccurate;
- the difference between the correct donation value and the donation value listed for each ODR is material<sup>8</sup>; and
- the non-compliance had previously been identified in a prior audit and addressed with an LOU.

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<sup>7</sup> The definition of qualified donee includes registered charities, such as the Organization.

<sup>8</sup> As explained in our letter dated October 5, 2021 (enclosed), in the 2013-2014 fiscal period several ODRs were issued for \$425.08 (\$2,425.08 - \$2,000) more than the correct donation amount, while in the 2014-2015 fiscal period the discrepancy was \$950.66 (\$2,950.66 - \$2,000). Please refer to the enclosed letter for more information in this regard.

It is our view that the non-compliance warrants the application of an incorrect information penalty under subsection 188.1(7) of the Act. It is also our view the non-compliance is material and supports the application of a suspension of the Organization's registered status under paragraph 188.2(2)(c) of the Act.

### **Penalty proposed**

Based on the audit findings, it is our view that the Organization issued ODRs with incorrect information. As a result, we are proposing to assess a penalty under subsection 188.1(7) of the Act. The penalty is applicable in situations wherein a person, such as a qualified donee, makes an incorrect statement.

### **Penalty calculation:**

<b>LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ INC. / JEWISH PEOPLE'S SCHOOLS AND PERETZ SCHOOLS INC.</b>				
<b>Fiscal Period Ending</b>	<b>Type of Sanction</b>	<b>Sanction %</b>	<b>Sanctioned Amount<sup>9</sup></b>	<b>Sanction</b>
June 30, 2014	Incorrect information <sup>10</sup>	5%	\$4,226,038	\$211,302
June 30, 2015	Incorrect information	5%	\$3,543,714	\$177,186
<b>Total</b>			<b>\$7,769,752</b>	<b>\$388,488</b>

### **Suspension proposed**

Furthermore, paragraph 188.2(2)(c) of the Act provides, where a person has issued a receipt otherwise than in accordance with the Act and the regulations, the "Minister may give notice [...] that the authority of the person to issue an official donation receipt [...] is suspended for one year from the day that is seven days after the day on which the notice is mailed."

In multiple audits, including the current audit, we have found that the Organization does not meet the legislative requirements listed in the Act and its Regulations regarding the contents of ODRs. We have also repeatedly identified instances wherein the Organization has issued ODRs to its donors which provided the donors donation tax credits/deductions that materially exceeded what the credits/deductions should have been.

Given the materiality and severity of the non-compliance, and given that the Organization has displayed a history of non-compliant receipting practices, we propose that the Organization's charitable status be suspended under paragraph 188.2(2)(c) of the Act.

<sup>9</sup> This represents the total of the amounts reported as eligible amounts stated on all official donation receipts issued with incorrect information.

<sup>10</sup> This penalty is assessed under subsection 188.1(7) of the Act, and is assessed against the total amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction or a credit.

### **In summary**

Based on the above audit findings, we are considering financially sanctioning and suspending the Organization for issuing ODRs containing incorrect information. It is our view that there are grounds to assess an incorrect information penalty under subsection 188.1(7) of the Act. It is also our view that there are grounds to suspend the Organization's authority to issue official donation receipts for one year under paragraph 188.2(2)(c) for issuing official donation receipts not in accordance with the Act and the regulations.

### **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, we 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

#### **b) Do not respond**

You may choose not to respond. In that case, we may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go on our website at <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01.html>.

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers below. My team leader, Robert Bill, may also be reached at 514-229-0589

Yours sincerely,



Sophie Nguyeh  
Audit Division  
Montreal Tax Services Office (TSO)

Telephone: (438) 334-0699  
Facsimile: (514) 283-2769  
Address: 305 Rene-Levesque Boulevard West  
Montreal QC H2Z 1A6

Enclosure : Letter of undertaking dated March 21, 2003  
Administrative fairness letter dated October 5, 2021  
Representations dated March 23, 2021

cc:



# SCHEDULE B



Consulting and Audit  
Canada

An Agency of Public Works  
and Government Services  
Canada

Conseils et Vérification  
Canada

Une agence de Travaux publics  
et Services gouvernementaux  
Canada

**PROTECTED**

**310562 4001 82003**

March 13, 2003

Director General  
Charities Directorate  
Canada Customs and Revenue Agency

**AUDIT REPORT**

**Les écoles juives populaires et les écoles Peretz Inc. /  
Jewish People's Schools and Peretz Schools Inc.**

Montreal, Quebec

Business No: 10753 4893 RR 0001 (Registration No: 0156919)

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We have examined the accounts and records of the Charity insofar as they pertain to the scope requested to determine its compliance with the Income Tax Act and related regulations, and attached hereto are our findings.

*Consulting and Audit Canada*

MONTREAL, QUEBEC

**Canada**

**CAC CVC**

March 13, 2003

Page 1 of 5

**A. CHARITY'S NAME:**

**Les écoles juives populaires et les écoles Peretz Inc. /  
Jewish People's Schools and Peretz Schools Inc.**

REPRESENTATIVE: [REDACTED] (Director of finance)

TELEPHONE NO: [REDACTED]

BUSINESS NO: 10753 4893 RR 0001

REGISTRATION NO: 0156919

AUDIT TYPE: [REDACTED]

CLOSURE LETTER: Undertaking letter issued (Ref.: FF3)

AUDIT PERIOD: July 1, 2000 to June 30, 2001

AUDIT TIME:

Orientation:

Travel Time:

Audit:

Total:

**B. DEGREE OF NON-COMPLIANCE**

We have examined the accounts and records of the Charity insofar as the audit scope required. The following deficiencies have been identified:

**1. Improper Receipt Issuing Practices**

- a) Official receipts issued by the Charity did not contain the charity's name as recorded with Canada Customs and Revenue Agency, Charities Directorate.
- b) The Charity issued official receipts to 15 families for mandatory fundraising contributions (\$250 per family). Parents are required to contribute \$250 to the charity. If the parents raise at least \$250 in fundraising, the school will reimburse the contribution, otherwise the \$250 is kept by the Charity and an official donation receipt is issued.

March 13, 2003

Page 2 of 5

**B. DEGREE OF NON-COMPLIANCE (cont'd)**

- c) The Charity issued official donation receipts for a capital assessment. This contribution of \$1,800 is a mandatory contribution and therefore does not satisfy the conditions to be considered as gift.

(Ref.: D1).

**Response**

The charity's representative told us that the official receipts will be issued in conformity to Interpretation Bulletin IT-110R3 in the future. (Ref.: DD1).

**2. Failure to Maintain Adequate Books and Records**

- a) The Charity could not provide us with a reconciliation of line 100 (\$2,280,475) of the T3010 return with official receipts issued. (Ref.: D1).
- b) The Charity did not properly report its revenues and expenses for fundraising activities in its financial statements. Revenues and expenses should have been \$214,750 and \$106,122 respectively, rather than \$108,628 and \$0. (Ref.: C1).

**Response**

The Charity's representative told us that the Charity will adequately maintain the books and records in the future. (Ref.: DD1).

**3. T3010 – Incorrect or Missing Information**

- a) As noted in Paragraph B.2.b) of this report, the Charity did not report the fundraising expenses in its T3010 return.
- b) The Charity did not complete properly the Section F "Remuneration and Benefit" of its T3010 return.
- c) In 1999, the Charity indicated that it did not issue tax receipts for tuition on line 712, section 10, Schedule A of its T3010 return, while our audit disclosed that it did issue official receipts for tuition with respect to religious education.

(Ref.: C1).

**Response**

The Charity's representative told us that the Charity will adequately complete the T3010 return in the future. (Ref.: DD2).

March 13, 2003

Page 3 of 5

**B. DEGREE OF NON-COMPLIANCE (cont'd)**

**4. Cost per Pupil Calculation**

The Charity does segregate its cost of operating the secular portion of the school and the cost of providing religious training. Therefore, for the period ending June 30, 2001, we calculated and revised the cost per pupil to \$1,400. This amount is \$200 over the charity's cost per pupil calculation of \$1,200. (Ref.: E1).

**Response**

The charity's representative told us that the cost per pupil calculation will be done in conformity with Information Circular IC75-23 in the future. (Ref.: DD2).

**5. Failure to Notify Canada Customs and Revenue Agency of Modifications Made to name**

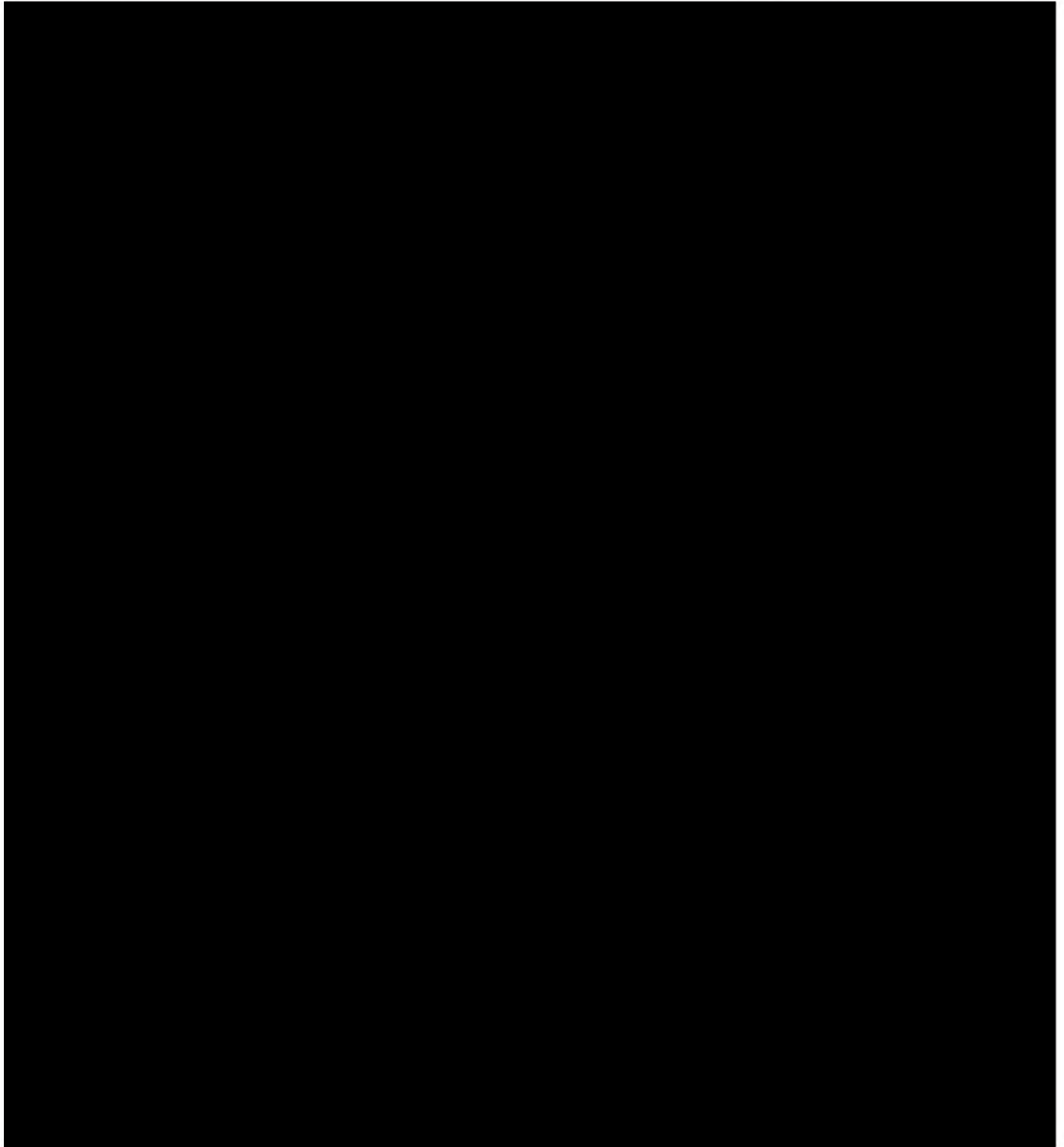
The Charity modified its name on August 1, 1978 without notifying Canada Customs and Revenue Agency, Charities Directorate. (Ref.: HH1).

**PROTECTED**

310562 4001 82003

March 13, 2003

Page 4 of 5

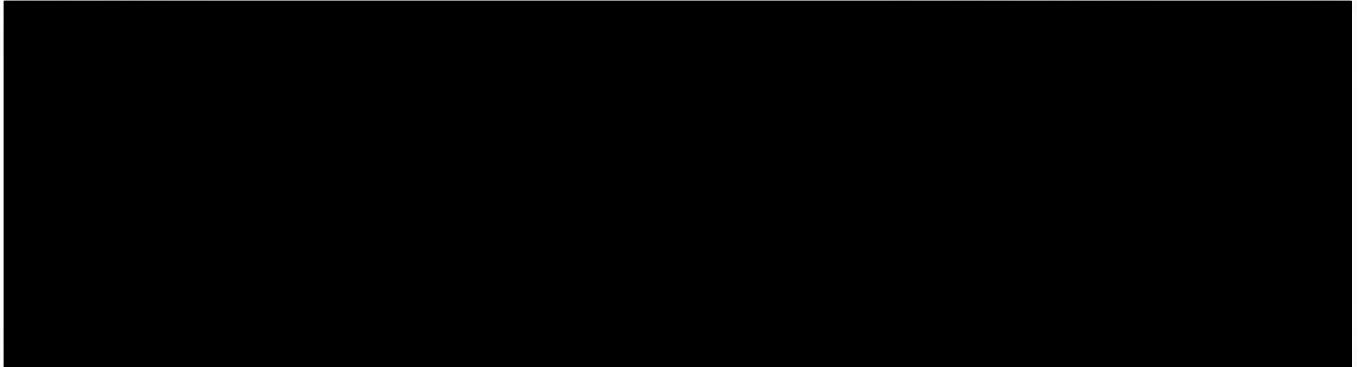


**PROTECTED**

310562 4001 82003

March 13, 2003

Page 5 of 5



**D. THIRD PARTIES**

N/A.

**E. OTHER CONSIDERATIONS**

Since the T3010 forms for the audited period were not available, we used the T3010 forms provided by the Charity to perform our audit. (Ref.: CC1.1 to CC2.7).

# SCHEDULE C



Canada Customs  
and Revenue Agency

Agence des douanes  
et du revenu du Canada

Consulting and Audit Canada  
Office 1240  
2021 Union Avenue  
Montreal, Quebec H3A 2S9

Votre file Votre référence

Votre file Votre référence

310562 4001 82003

March 21, 2003

Les écoles juives populaires et les écoles Peretz Inc/  
Jewish People's Schools and Peretz Schools Inc.  
C/O [REDACTED] (Director of finance)  
5170 Van Horne Avenue  
Montreal, Quebec H3W 1J6

**Re: Charity Income Tax Audit - 2000- 2001 Fiscal Period**  
**Business No: 10753 4893 RR 0001 (Registration No: 0156919)**

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Sir:

We have now completed the audit of the books, records and activities of Les écoles juives populaires et les écoles Peretz Inc / Jewish People's Schools and Peretz Schools Inc. (hereinafter, the "Charity").

In order to maintain its registration, a registered charitable organization must comply with all the requirements of the *Income Tax Act* (the "Act") and the Regulations that pertain to registered charities. Audit results indicate that the Charity has failed to do so in the following respect:

1. Official receipts

- a) According to the Paragraph 3 of *Interpretation Bulletin IT-110R3* and *Regulation 3501*, a gift is a voluntary transfer of property without valuable consideration. Generally a gift is made if all three of the conditions listed below are satisfied:
- (i) some property-usually cash-is transferred by a donor to a registered charity;
  - (ii) the transfer is voluntary; and
  - (iii) the transfer is made without expectation of return. No benefit of any kind may be provided to the donor or to anyone designated by the donor, except where the benefit is of nominal value.

Our audit revealed that the Charity issued official receipts to 15 families for mandatory fundraising contribution (\$250 per family).

The Charity also issued official donation receipts for a capital assessment. This contribution of \$1,800 is a mandatory contribution and therefore does not satisfy the conditions to be considered as gift. We would advise that any contributions that are mandatory do not qualify as gifts, unless it is otherwise specified in *Interpretation Bulletin IT-110R3* and *Regulation 3501*.

.../2

- b) According to the Paragraph 16 of *Interpretation Bulletin IT-110R3* and *Regulation 3501*, each official receipt issued to acknowledge a donation, must contain the charity's name as recorded with Canada Customs and Revenue Agency, Charities Directorate.

Our audit revealed that official receipts issued by the Charity did not contain the charity's name as recorded with Canada Customs and Revenue Agency, Charities Directorate.

2. Books and records

Section 230(2) of 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 containing:

- 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*;
- a duplicate of each receipt containing prescribed information for a donation received by it; and
- other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credits is available under this *Act*.

The audit revealed that:

- a) the Charity could not provide us with a reconciliation of total gifts received for which official receipts were issued as per line 100 (\$2,280,475) of the T3010 return with official receipt copies; and
- b) the Charity did not properly report its revenues and expenses for fundraising activities in its financial statements. Revenues and expenses should have been \$214,750 and \$106,122 respectively, rather than \$108,628 and \$0.

3. T3010 return

The audit results also indicated that the Charity is improperly completing the Information Return in that many of the items reported were incorrectly identified or omitted. Specifically,

- a) the Charity did not report the fundraising expenses in its T3010 return, as noted in Paragraph 2.b) of this letter;
- b) the Charity did not properly complete Section F of its T3010 return pertaining to remuneration and benefits; and
- c) in its 1999 T3010 return, the Charity did not report an amount on line 712, section 10, Schedule A, as it did issue official receipts for religious education.

It is the responsibility of the Charity to ensure that the information provided in its return, schedules and statements is factual and complete in every respect.

4. Cost per pupil

According to the Paragraph 8 of *Information Circular* IC75-23, the net cost of operating the secular portion of the school will be determined to be the total operating costs of that portion of the school for a school year (excluding capital expenditures and depreciation) less miscellaneous income, grants received and donations received from persons with no children in attendance, unless such grants or donations were designated for a capital purpose. "Cost per pupil" would be the above-described cost divided by the number of students enrolled during the school year.

In the course of the audit, we calculated and revised the charity's cost per pupil as \$1,400 per student for the period ending June 30, 2001. Our calculations are based on the charity's books and records provided at that time. This amount is \$200 over the charity's cost per pupil calculation of \$1,200.

You are requested to forward **within 30 days of the date of this letter** an undertaking as to how the Charity plans to address the problems described above. Please mail the undertaking to:

Ms. Karen Crawford Byron  
Manager  
Assurance, Accounting and Audit Services  
Consulting and Audit Canada  
112 Kent Street, Tower B  
Ottawa, Ontario  
K1A 0S5


The facsimile number is (613) 943-8358. Please include your business/registration number on any correspondence.

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

We also wish to advise you that the completion of the audit should not be considered permission to destroy any of the Charity's books and records.

Finally, we wish to thank you for the assistance and cooperation provided during the audit.

Yours sincerely,

  
Louise Dubé  
Manager  
Consulting and Audit Canada

# SCHEDULE D



בתי ספר עממיים יהודיים ובתי ספר על שם פרץ  
LES ECOLES JUIVES POPULAIRES ET LES ECOLES PERETZ  
JEWISH PEOPLE'S SCHOOLS & PERETZ SCHOOLS  
ידישע פאלקס שולן און פרץ שולן

5170 VAN HORNE AVENUE, MONTRÉAL, QUÉ. H3W 1J6 -

Ms. Karen Crawford Byron  
Manager  
Assurance, Accounting and Audit Services  
Consulting and Audit Canada  
112 Kent Street, Tower B  
Ottawa, Ontario  
K1A 0S5

Business # : 10753 4893 RR 0001  
Registration # : 0156919  
File # : 310562 4001 82003

April 1<sup>st</sup>, 2003

In response to your letter March 21<sup>st</sup>, 2003, we would like to submit the following answers to your issues:

- 1) Your first paragraph refers to "Mandatory Fundraising Contribution". As was explained to Mr. Cheung when he was performing his audit, this is NOT a Mandatory Fundraising fee but rather a MANDATORY SCHOOL FEE that can be reimbursed to those parents who participate in certain fund raising activities. Amongst those who did participate in fund raising activities, there were parents who were entitled to either a full or partial refund BUT who opted not to take this refund. As these people are clearly entitled to a reimbursement of this portion of their school fees and they have VOLUNTARILY opted not to receive this refund without EXPECTATION of RETURN, they are clearly entitled to a tax receipt in this amount.

The issue that Mr. Cheung had pointed out to me at the date of audit was that the description of the program made it sound as though it was a mandatory fundraising. I did clearly explain the program and he did agree that a modification of the description of this program along with a modification of the caption used on our billing would suffice to allow this donation receipt.

- 2) Concerning the \$1,800 PLEDGE to the Capital Assessment, there are certain discrepancies that were not clarified by either side at the audit date. This PLEDGE falls under paragraph 9 of IT-110R3 (Exceptions to the General Rule), which states that an amount can be considered to be a gift DESPITE its having being paid to honour an OBLIGATION, if the Obligation was entered into voluntarily and without consideration.  
Clearly, all of the families who PLEDGE the \$1,800 in capital assessment (Not all families do) do so VOLUNTARILY and there is absolutely no Consideration given to any related person for this gift. As both of these conditions have been satisfied by this PLEDGE, the receipt is indeed eligible for a Tax receipt. We have also taken the time to verify the validity of this claim amongst our school peers and our external auditors. All have agreed that this method is valid and has been tested and accepted by Revenue Canada in previous audits.
- 3) Concerning the Name of the Charity that CCRA has on its records, we are attaching to this letter a copy of our charter for complete clarity. We on our side will make certain that all of our tax receipt make reference to the same name.
- 4) Concerning the books & records of the charity, as was explained to Mr. Cheung, we are currently in transition from an older system that was unable to computerize the necessary calculations to one that will be able to make all of these reports & calculations in a proper and computerized manner.
- 5) Concerning the T3010, all items reported by yourselves have been remedied effective the June 30, 2002 year end.
- 6) Concerning the cost per Pupil, we are indeed in agreement with the findings of the audit. The previous method of calculation did contain a minor error. All future calculations and receipts will reflect the method as revised by your audit.

Hoping that all will be to your satisfaction we remain at your entire disposition should you require any additional information,

Director of Finance & Administration

October 5, 2021

**Registered Mail**

David Perlis  
6502 Kildare  
Côte Saint-Luc QC H4W 3B8

Attention: David Perlis

**Object: Audit of Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish  
People's Schools And Peretz Schools Inc.  
Years Ending: June 30, 2014 and June 30, 2015  
Business Number: 10753 4893 RR0001  
File number: 0156919**

Dear David Perlis,

Attached is a copy of the final letter for the audit of Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish People's Schools And Peretz Schools Inc. for the period between July 1<sup>st</sup>, 2013 and June 30, 2015.

Should you have any concerns or questions, please contact the undersigned at (438) 334-0699 or by fax at (514) 283-2769. You can also contact my team leader, Robert Bill, at (514) 229-0589.

Thank you for your assistance and cooperation.

Yours sincerely,

Sophie Nguyen  
Compliance Division  
Tax Services Office: Montréal  
Section: 445-1-1  
Telephone: 438-334-0699  
Facsimile: 514-283-2769  
Address: 305 René-Lévesque Boulevard West, 7th floor  
Montreal, QC H2Z 1A6

October 5, 2021

**Registered Mail**

Director of Finance

Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. /

Jewish People's Schools And Peretz Schools Inc.

6502 Kildare

Côte Saint-Luc QC H4W 3B8

BN: 10753 4893 RR0001

File No.: 0156919

Dear [REDACTED]:

**Subject: Audit of Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish People's Schools And Peretz Schools Inc.**

This letter results from the audit of Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish People's Schools And Peretz Schools Inc. (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period of July 1, 2013 to June 30, 2015.

On October 4, 2021, you were advised that the CRA had identified specific areas of non-compliance with the provisions of the Income Tax Act (the Act) and/or its Regulations in the following areas.

	<b>Area of non-compliance</b>	<b>Reference</b>
1.	Issuing receipts not in accordance with the Act	Regulation 3501(1), 163.2, 168(1)(d), 188.1(9), 188.2(1)(c)

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 sanction(s) proposed in further detail.

### **Identified area of non-compliance**

#### **Issuing receipts not in accordance with the Act**

##### **Legislation**

Subsection 3501(1) of the Income Tax Regulations provides a list of information that every official donation receipt issued for a gift received by a registered charity must contain. One of which is the “eligible amount of the gift.” Paragraph 3501(1)(h) 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 readily be altered,

(h) the amount that is

(i) the amount of a cash gift, or

(ii) if the gift is of property other than cash, the amount that is the fair market value of the property at the time that the gift is made;

(h.1) a description of the advantage, if any, in respect of the gift and the amount of that advantage;

(h.2) the eligible amount of the gift”

Pursuant to subsection 248(31) of the Act, the eligible amount of a gift is the excess of the fair market value of the property transferred to a qualified donee over the amount of the advantage provided to a donor. The amount of the advantage is defined in subsection 248(32) of the Act as the total value, at the time the gift is made, of any property, service, compensation, use or other benefit that the taxpayer obtained, received or enjoyed as consideration for, in gratitude for or in any other way related to the gift.

The CRA provides a suite of public guidance and policies on how to calculate the eligible amount of a gift<sup>1</sup>, specifically, where there are advantages or other exemptions involved. The Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value, provides guidance on how to calculate the eligible amount of the official donation receipt of a gift after isolating all the advantages that the donor may have received when transferring the gift to a registered charity. Additionally, and specific to charities such as the Organization that operate as religious schools that provide both religious and secular education, Information Circular IC75-23, Tuition Fees and Charitable Donations Paid to

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<sup>1</sup> Under the common law, "a gift is a voluntary transfer of property owned by a donor to a donee, in return for which no benefit or consideration flows to the donor" (The Queen v Friedberg, [1992] 1 CTC 1, 92 DTC 6031 (FCA)).

Privately Supported Secular and Religious Schools, provides the CRA's policy on how to determine the eligible amount of the gift for the donation receipts when the tuition is paid for both secular and religious education.

It is the responsibility of a charity to ensure that its official donation receipts contains all the required information including the correct amount of the advantage and the correct eligible amount of the gift. Including an incorrect amount of the advantage and the eligible amount of the gift in an official donation receipt may constitute a false statement subject to a penalty under subsection 188.1(9) of the Act, in cases where the charity knew, or reasonably ought to have known, if not for its culpable conduct, that a false statement was made on an official donation receipt.

In the case of this audit, the Organization is a private school that issued official donation receipts for the religious portion of the tuitions paid. As such, the Organization was required to determine the amount of the advantage in respect of the gift and the eligible amount of the gift for the official receipts issued with respect to the tuition paid.

Information Circular IC75-23, specifically paragraphs 7 and 8, sets out CRA's position on how schools, which operate in a dual capacity, providing both secular and religious education, should calculate the amount of the advantage in respect of the gift and the eligible amount of the gift for the donation receipt.

When the school can and does segregate the cost of operating the secular portion of the school and the cost of providing religious training, the net cost of operating the secular portion of the school is to be pro-rated over the number of pupils enrolled during the school year to determine a "cost per pupil" for the secular training, which would be the value of the advantage received as consideration for the gift.

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, which would be the eligible amount of the gift..

The net cost of operating the secular portion of the school will be determined to be the total operating costs of that portion of the school for a school year (excluding capital expenditures and depreciation) less miscellaneous income, grants received and donations received from persons with no children in attendance, unless such grants or donations were designated for a capital purpose. The "cost per pupil" would be calculated as the above-described cost divided by the number of students enrolled during the school year.

#### False Receipting

Under subsection 188.1(9) of the Act, a person may be held liable for a penalty where they knew, or reasonably ought to have known, if not for its culpable conduct, that a false statement was made on an official donation receipt.

**188.1(9) False information:**

If at any time a person makes or furnishes, participates in the making of or causes another person to make or furnish a statement that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct (as defined in subsection 163.2(1)), is a false statement (as defined in subsection 163.2(1)) on a receipt issued by, on behalf of or in the name of another person for the purposes of subsection 110.1(2) or 118.1(2), the person (or, where the person is an officer, employee, official or agent of a registered charity, registered Canadian amateur athletic association or registered journalism organization, the charity, association or organization) is liable for their taxation year that includes that time to a penalty equal to 125% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

Audit Findings

During the audit, we requested that the Organization provide information detailing how it had determined the eligible amounts of the donation receipts it issued with respect to tuition fees paid for religious instruction.

We found that for the 2013-2014 and 2014-2015 fiscal periods, the Organization had undertaken a calculation to determine the cost per pupil of the secular program using the net cost of operating the secular portion of its school and dividing it by the number of students enrolled in the school year. The cost per pupil for the secular program was calculated to be \$2,425.08 for the 2013-2014 fiscal period, and \$2,950.66 for the 2014-2015 fiscal period.

Despite undertaking the calculation to determine the secular cost per pupil, the Organization chose to use an arbitrary amount of \$2,000 as the secular cost per pupil for the purpose of determining the eligible amount for the official donation receipts issued with respect to the religious portion of tuition paid during the years under audit.

During the May 8, 2018 meeting with the auditor, [REDACTED] the Organization's authorized representative, informed us that the Organization was aware that the cost per pupil used to determine the amounts reported on its official receipts was arbitrary and not correct. [REDACTED] explained how, since 2007, the school had used the net cost of operating the secular portion of the school to calculate the secular cost per pupil for each financial year end but had chosen to use the arbitrary secular cost per pupil of \$2,000. In addition, during the audit, the Organization's representative provided the CRA a document showing the Organization's calculation of the secular cost per pupil to be used in determining the eligible amounts of donation receipts for the religious portion of tuition paid. The document showed the calculation of the costs per pupil noted above and noted that a cost per pupil of \$2,000 would instead be used to determine the eligible amount for the donation receipts.

While the arbitrary cost per pupil of \$2,000 was widely used by the Organization, there were instances where other amounts were also used. We provide in Tables 4 and 5, and Tables 6 and 7 below examples of where other amounts were used. Where the Organization used an amount other than \$2,000, the amount was still arbitrary and understated. As such, donation receipts calculated on the basis of those amounts were also incorrect and overstated, and therefore contained a false statement. For simplicity and ease of reading, this letter refers to the understated cost per pupil as \$2,000 for all instances of misstated donation receipts<sup>2</sup>.

Registered charities are responsible for ensuring that all of their official donation receipts are issued for the correct amount. In the case of issuing donation receipts for amounts paid for tuition for both religious and secular instruction, the charity must determine the amount of the advantage received as consideration for the gift and the eligible amount of the gift. This involves calculating what portion of the tuition paid relates to the secular studies, as explained in this letter and in IC75-23.

As noted during the audit and explained in this letter, the Organization demonstrated that it was familiar with the requirement and calculated the actual cost per pupil of secular studies to determine the correct eligible amounts of donation receipts for religious tuition.

However, the Organization issued donation receipts for the religious portion of the tuition paid, using an arbitrary amount of \$2,000 as the value of the advantage with respect to the secular studies, an amount that was less than the actual value of the advantage of the secular studies, calculated using the net operating costs of the secular program. As explained above, the Organization was aware that the cost per pupil it used was an arbitrary amount and was incorrect. It is our view that the Organization knew or would reasonably be expected to know that the arbitrary amounts it used to calculate the advantage and the eligible amount were incorrect. As such, for both of these reasons, we consider that by intentionally including incorrect amounts of the advantage and the incorrect eligible amounts on its official donation receipts, the Organization made false statements on the receipts.

To summarize, by using an arbitrary cost per pupil that was less than the correctly calculated one, the Organization understated the amount of the advantage received as consideration for the gift and overstated the amounts reported as the eligible amounts of donation receipts issued for the religious portion of tuition fees. As a result, the donation receipts contained false statements, with respect to the amount of the advantage and the eligible amount of the gift, that the Organization knew or would reasonably be expected to know but for circumstances amounting to culpable conduct were false statements.

The following table shows the overstated amount for each donation receipt issued during the fiscal periods under audit.

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<sup>2</sup> Note that given that the penalty under subsection 188.1(9) is calculated based on the amount reported on the donation receipt(s) rather than the amount(s) of the overstatement(s), the variances in the cost per pupil used wherever the cost used is understated will not cause the amount of the penalty to change.

Table 1

	Fiscal year 2013-2014	Fiscal year 2014-2015
Cost per pupil calculated by the Organization	\$ 2,425.08	\$ 2,950.66
Cost per pupil used by the Organization	\$ 2,000.00	\$ 2,000.00
Cost per pupil understated by	\$ 425.08	\$ 950.66

As discussed above, the eligible amount for which the Organization can issue a donation receipt is the amount related to the religious instruction which is calculated by subtracting the advantage, the cost per pupil of the secular instruction, from the total amount of the tuition paid to the Organization for a student.

In the following table, we provide the example of donation receipt [REDACTED] issued by the Organization during the 2013 fiscal period to demonstrate the effect of using the incorrect cost per pupil of \$2,000.

Table 2

<b>Amount reported as the eligible amount of the donation receipt based on the incorrect cost per pupil of \$2,000:</b>	
Total tuition paid	\$ 10,480.00
Less: Secular incorrect cost per pupil	\$ 2,000.00
Less: Home & School Bialik <sup>3</sup>	\$ 30.00
Amount reported as the eligible amount of the donation receipt	\$ 8,450.00
<b>Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization:</b>	
Total tuition paid	\$ 10,480.00
Less: Secular correct cost per pupil calculated by the Organization	\$ 2,425.08
Less: Home & School Bialik	\$ 30.00
Correct eligible amount of the donation	\$ 8,024.92

Table 3

<b>Overstated amount of the donation receipt:</b>	
Eligible amount reported on the donation receipt based on the incorrect cost per pupil	\$ 8,450.00
Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization	\$ 8,024.92
<b>Overstated amount of the donation receipt</b>	<b>\$ 425.08</b>

<sup>3</sup> The official donation receipt indicates the value of the advantage subtracted from the total amount of the donation in determining the amount reported as the eligible amount as \$2,030. This amount consists of the \$2,000 cost per pupil for secular studies and a \$30 fee unrelated to religious tuition called "Home and School/ Free Dress Days".

In the following table, we provide the example of donation receipt [REDACTED] issued by the Organization during the 2014 fiscal period to demonstrate the effect of using an incorrect, understated cost per pupil of an amount other than \$2,000.

Table 4

<b>Amount reported as the eligible amount of the donation receipt based on the incorrect cost per pupil of \$1,800:</b>	
Total tuition paid	\$ 2,667.99
Less: Secular incorrect cost per pupil	\$ 1,800.00
Less: Home & School Bialik <sup>4</sup>	\$ 27.00
Amount reported as the eligible amount of the donation receipt	\$ 840.99
<b>Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization:</b>	
Total tuition paid	\$ 2,667.99
Less: Secular correct cost per pupil calculated by the Organization	\$ 2,950.66
Correct Amount of donation	\$ - 282.67

Table 5

<b>Overstated amount of the donation receipt:</b>	
Eligible amount reported on the donation receipt based on the incorrect cost per pupil	\$ 840.99
Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization	\$ - (- 282.67)
<b>Overstated amount of the donation receipt</b>	<b>\$ 1,123.66</b>

In the following table, we provide the example of donation receipt [REDACTED] issued by the Organization during the 2014 fiscal period as an overstated receipt with a total cost per pupil of greater than \$2,000 because of being issued for a donation relating to more than one student.

Table 6

<b>Amount reported as the eligible amount of the donation receipt based on the incorrect cost per pupil of \$5,000:</b>	
Total tuition paid	\$ 26,940.00
Less: Advantage:	
Secular cost per pupil – Secondary 3 (student 1)	\$ 2,000.00
Secular cost per pupil – Secondary 1 (student 2)	\$ 2,000.00
Secular cost per pupil – Grade 1 (student 3)	\$ 1,000.00
Home & School Bialik <sup>5</sup>	\$ 30.00

<sup>4</sup> The official donation receipt indicates the value of the advantage subtracted from the total amount of the donation in determining the amount reported as the eligible amount as \$1,827. This amount consists of the \$1,800 cost per pupil for secular studies and a \$27 fee unrelated to religious tuition called “Home and School/ Free Dress Days”.

<sup>5</sup> The official donation receipt indicates the value of the advantage subtracted from the total amount of the donation in determining the amount reported as the eligible amount as \$5,040. This amount consists of the

Home & School Elementary <sup>6</sup>	\$ 10.00
Total value of advantage	\$ 5,040.00
Amount reported as the eligible amount of the donation receipt	\$ 21,900.00
<b>Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization:</b>	
Total tuition paid	\$ 26,940.00
Less: Advantage:	
Secular cost per pupil – Secondary 3 (student 1)	\$ 2,950.66
Secular cost per pupil – Secondary 1 (student 2)	\$ 2,950.66
Secular cost per pupil – Grade 1 (student 3)	\$ 2,950.66
Home & School Bialik <sup>7</sup>	\$ 30.00
Home & School Elementary <sup>8</sup>	\$ 10.00
Total value of advantage	\$ 8,891.98
Correct Amount of donation	\$ 18,048.02

Table 7

<b>Overstated amount of the donation receipt:</b>	
Eligible amount reported on the donation receipt based on the incorrect cost per pupil	\$ 21,900.00
Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization	\$ 18,048.02
<b>Overstated amount of the donation receipt</b>	<b>\$ 3,851.98</b>

The Organization's decision to knowingly use an incorrect cost per pupil of \$2,000 (or other understated amount, as explained) as the advantage and to calculate the eligible amounts of the official donation receipts resulted in an inflated donation amount of \$425.08 (or more, in certain cases) per donation receipt for the fiscal period 2013-2014 and \$950.66 (or more, in certain cases) for the fiscal period 2014-2015.

Note that the Organization was previously audited for its fiscal period ending June 30, 2001, whereby the CRA outlined its position on how to correctly calculate the cost per pupil to determine the amount for the donation receipt with respect to the religious portion of the program. The audit had found that the Organization had used a cost per pupil of \$1,200 to calculate the cost with respect to its secular program whereas the cost of pupil should have been \$1,400 as calculated by the auditor using the guidelines provided in Information Circular IC75-23. As a result of using an incorrect amount to calculate the cost with respect to its secular program, the calculated eligible amount of the donation receipts was also incorrect.

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\$5,000 (\$2,000 + \$2,000 + \$1,000) total costs per pupil for secular studies and a \$30 fee unrelated to religious tuition called "Home and School/ Free Dress Days".

<sup>6</sup> See footnote 4 above.

<sup>7</sup> See footnote 4 above.

<sup>8</sup> See footnote 4 above.

That audit concluded with a “Letter of undertaking” dated March 21, 2003, in which, the Organization was requested to provide the CRA with its plans to address the issues identified by the audit including the receipting issues. The Organization responded to the CRA by letter dated April 1, 2003, in which, it stated “Concerning the cost per Pupil, we are indeed in agreement with the findings of the audit. The previous method of calculation did contain a minor. All future calculations and receipts will reflect the method as revised by your audit.”

However, the current audit found that the Organization, instead of using the cost per pupil calculated using its actual operating costs, deliberately chose to use an arbitrary cost per pupil of \$2,000 as the advantage with respect to the secular program and to calculate the eligible amount of the donation receipt thereby making false statements on its donation receipts. As a result of the false statements made on the donation receipts with respect to incorrect amounts of the advantage and the eligible amounts each donation receipt issued by the Organization for the periods ending June 30, 2014 and June 30, 2015 was overstated by \$425.08 and \$950.66, respectively.

Given that the Organization was invited to remedy its receipting practice through a previous “Letter of understanding” and given that the Organization deliberately chose to use an arbitrary an incorrect cost per pupil of \$2,000 as the advantage with respect to the cost of the secular program and to calculate the eligible amounts of the donation receipts for the religious education, it is our opinion that the Organization knew or ought to have known that it had included incorrect amounts with respect to the advantage and eligible amounts on its official donation receipts thereby made false statements on the receipts. Therefore, the Organization is liable, under subsection 188.1(9), to a penalty equal to 125% of the amount of the receipts as calculated below.

### **Penalty proposed**

Based on the audit findings and the intentional and repeated non-compliance receipting practice, it is our view that the Organization has made false statements on its official donation receipts. As a result, we are proposing to assess a penalty under subsection 188.1(9) of the Act. This penalty is applicable in situations wherein a person, such as a qualified donee makes a statement that it knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct, is false statement.

**Penalty calculation:**

**Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. /  
Jewish People's Schools And Peretz Schools Inc.**

<b>Fiscal Period Ending</b>	<b>Type of Sanction</b>	<b>Sanction %</b>	<b>Sanctioned Amount<sup>9</sup></b>	<b>Sanction</b>
June 30, 2014	False information <sup>10</sup>	125%	\$4,226,038	\$5,282,547
June 30, 2015	False information	125%	\$3,543,714	\$4,429,643
<b>Total</b>				<b>\$9,712,190</b>

Furthermore, paragraph 188.2(1)(c) of the Act provides, where a penalty assessed under subsection 188.1(9) exceeds \$25,000 in any taxation year, the "Minister shall give notice to a registered charity that the authority of the charity to issue an official receipt is suspended for one year from the day after the day on which the notice is mailed."

Given the amount of the penalty for each fiscal period under audit exceeds \$25,000, we propose that the Organization's charitable status be also suspended under paragraph 188.2(1)(c) of the Act.

**Other non-compliance issues not subject to penalty****Issuing receipts not in accordance with the Act**

Regulation 3501 of the Act states that 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 readily be altered,

- the name and address in Canada of the organization as recorded with the Minister;
- the registration number assigned by the Minister to the organization;
- the serial number of the receipt;
- the place or locality where the receipt was issued;
- where the gift is a cash gift, the date on which or the year during which the gift was received;
- where the gift is of property other than cash
  - the date on which the gift was received,
  - a brief description of the property, and
  - the name and address of the appraiser of the property if an appraisal is done;
- the date on which the receipt was issued;
- the name and address of the donor including, in the case of an individual, the individual's first name and initial;

<sup>9</sup> This represents the total of the amounts reported as eligible amounts stated on all official donation receipts issued with false information.

<sup>10</sup> This penalty is assessed under subsection 188.1(9) of the Act, and is assessed against the total amount of all of the official donation receipts that the Organization furnished using false information.

- the amount that is
  - the amount of a cash gift, or
  - if the gift is of property other than cash, the amount that is the fair market value of the property at the time that the gift is made;
- a description of the advantage, if any, in respect of the gift and the amount of that advantage;
- the eligible amount of the gift;
- the signature of a responsible individual who has been authorized by the organization to acknowledge gifts; and
- the name and Internet web site of the Canada Revenue Agency.

### Audit Findings

The copies of the official donation receipts provided during the audit did contain an amount indicated as an advantage. However, they did not provide a description of the advantage.

Furthermore, the audit found that the official donation receipts issued by the Organization over the years do not follow any logical numerical sequencing.

- The donation receipts from January 1, 2013 to December 31, 2013 follow the receipt order from [REDACTED] It appears that receipts numbered [REDACTED] are missing.
- Furthermore, the donation receipts from January 1, 2014 to December 31, 2014 are numbered [REDACTED]
- Meanwhile, the donation receipts from January 1, 2015 to December 31, 2015 are numbered [REDACTED]

It is the responsibility of the Organization to ensure that it maintains its information in a manner that enables the Minister to verify the correctness of such information

### **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, we 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;

- 13 -

- the application of penalties and/or suspensions provided for in sections 188.1 and/or 188.2 of the Act; or

**b) Do not respond**

You may choose not to respond. In that case, we may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go on our website at <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01.html>.

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers below. My team leader, Robert Bill, may also be reached at 514-229-0589

Yours sincerely,

Sophie Nguyen  
Audit Division  
Montreal Tax Services Office (TSO)

Telephone: (438) 334-0699  
Facsimile: (514) 283-2769  
Address: 305 Rene-Levesque Boulevard West  
Montreal QC H2Z 1A6

c.c.: David Perlis

[REDACTED]

[REDACTED]

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**FAX TRANSMISSION COVER**

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**URGENT**

To: Ms. Sophie Nguyen *5x6792*  
Audit Division  
Canada Revenue Agency

Fax: 514-283-2769

From: [REDACTED]

Date: March 23 2022

Pages (including this cover): 55

If you have any problems with this transmission, please contact:  
[REDACTED]

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**MESSAGE**

Subject: Jewish People's Schools and Peretz Inc.  
BN: 10753 4893 RR0001  
Case number: 82071541

Dear Ms. Nguyen:

In reference to above-mentioned case number, please find attached herein our representations as well as all supporting documents.

The undersigned remains available to discuss.

Trusting the whole to your satisfaction.

We remain,

Respectfully yours,  
[REDACTED]

---

**NOTICE**

This fax is intended for use only by the persons to whom it is specifically addressed above and should not be read by, or delivered to, any other person. This fax may contain privileged or confidential information. If you have received this fax in error, please notify us immediately by calling the sender's direct line above (collect if necessary). We thank you in advance for your co-operation and assistance.

March 23, 2022

**PRIVATE AND CONFIDENTIAL**

**DELIVERED VIA FAX (514) 283-2769**

CANADA REVENUE AGENCY  
Audit Division  
Montreal Tax Services Office (TSO)  
300 Rene-Levesque Boulevard West  
Montreal, Qc. H2Z 1A6

To the attention of Ms. Sophie Nguyen

Dear Ms. Nguyen:

**Re: Submissions presented by the Jewish People's Schools and Peretz Inc. (the "Charity") to the Canada Revenue Agency (the "CRA") following the issuance of the correspondence dated October 5, 2021 (the "Administrative Fairness Letter" or the "AFL")**

We are writing to provide the Charity's response to the Administrative Fairness Letter (AFL) sent to the Charity on October 5, 2021. The AFL identified non-compliance in the Charity's receipting practices for the fiscal years ending June 30, 2014 and 2015 and proposes to apply the penalty (the "**Penalty**") in subsection 166.1(9) of the *Income Tax Act* (the "**ITA**").

Since receiving the AFL in October 2021, the Charity has worked diligently, with the support of the undersigned law firm, to review the allegations in the letter and conduct a thorough internal investigation. The Charity's Board takes compliance with the ITA very seriously and was frankly shocked at the allegations in the AFL. It sought immediately to determine whether there were any errors in its receipting practices, by retaining the services of tax specialists, both legal and accounting, with a specific expertise in charity tax, the ITA and accounting practices.

We are providing you a detailed submissions memorandum addressing the issues in the AFL. The submissions follow the Charity's careful review of the CRA audit file as well as the Charity's accounting documents and interviews with key personnel. This investigation has uncovered errors and misconduct by a single employee within the Charity, which has resulted in the issues of concern raised in the AFL.

The submissions memorandum addresses the following items:

- History of the Charity
- Role of the Charity's Director of Finance & Administration;
- Previous audit conducted by the CRA for the Charity's taxation year ending June 30, 2001.
- Role of [REDACTED] in the issue raised by the CRA current audit;
- Steps taken by the Charity following the receipt of the AFL;
- Confirmation that the Charity did not intentionally misstate any tax receipts;
- Proposed sanctions.

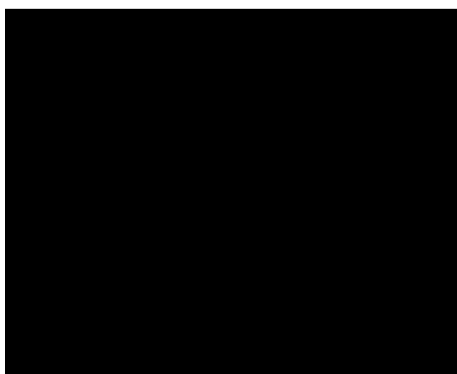
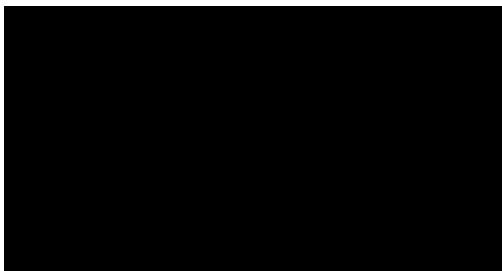
As you will see while reading the submissions memorandum, the Charity's objective is entirely aligned with the CRA in doing everything it could to understand the reason(s) for this issue and ensure it is fully corrected, without exception. The Charity wishes to work constructively and cooperatively with the CRA in order to avoid any future mistakes. The Charity, through the submissions memorandum, is proposing concrete measures already established by the Charity or in the process of being established, to substantially reduce the risk of future mistakes. There is no question of the Charity's willingness to comply with the ITA or its commitment to address the issues uncovered in the audit.

We believe that upon reviewing our submissions and understanding the full context in which the issues identified in the AFL occurred, as well as the Charity's response upon learning of these issues, it will be evident that these circumstances do not warrant the imposition of the proposed Penalty. We believe that these issues can be addressed adequately and more appropriately with a compliance agreement.

We suggest that we schedule a conference call with you and your supervisor, Mr. Robert Bill, once you have had an opportunity to conduct an initial review of the submissions memorandum. If you have any questions in the meantime, please contact me at your convenience.

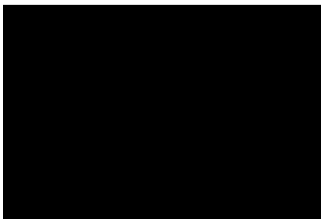
Trusting the whole to your satisfaction,

Yours truly,



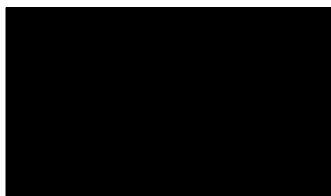
## SUBMISSIONS MEMORANDUM

1. In its correspondence dated October 5, 2021 (the "**Administrative Fairness Letter**" or the "**AFL**") attached as **Schedule A**, the CRA set out the results of its audit of the Charity's fiscal years ending June 30, 2014 and June 30, 2015 (the "**Years in Dispute**").
2. The AFL identified one area of non-compliance, stating that the Charity has issued official donation receipts not in accordance with the *Income Tax Act* (the "**ITA**"). Specifically, the AFL states that the CRA is of the view that, in issuing official donation receipts for tuition fees for religious education, the Charity's calculation of the value of the secular portion of tuition fees was understated, resulting in the value of the non-secular portion of tuition fees being overstated, which had the effect of the Charity issuing donation receipts that were not in conformity with the relevant provisions of the ITA (the "**Detected Anomaly**").
3. More particularly, the AFL states that for both Years in Dispute, the Charity calculated that the portion of the tuition fees allocable to the secular studies was \$2,000.00, whereas the CRA concluded that this amount was actually \$2,425.08 for the 2014 year-end and \$2,950.66 for the 2015 year-end, based on information provided by the Charity's Director of Finance & Administration, [REDACTED]  
[REDACTED]
4. The AFL states that the CRA proposes to apply the penalty in s. 188.1(9) of the ITA (the "**Penalty**") to the Charity as a result of:
  - a) the Detected Anomaly;
  - b) a previous tax audit conducted by the CRA for the fiscal year ending June 30, 2001 (the "**Previous Audit**") that modified one element in the secular program calculation;
  - c) a letter of undertaking (the "**Letter of Undertaking**") with the CRA signed by the Charity as a consequence of the Previous Audit.
5. If the CRA maintains its position and assesses the Charity with the Penalty, the amount of the Penalty, as presented by the CRA at page 10 of the AFL, would be



\$9,712,190 and, moreover, the ability of the Charity to issue donation receipts would be suspended for one year.

6. In December 2021, at the Charity's request, the CRA provided a copy of its audit file, which is comprised of 616 pages (the "**CRA Audit File**"). We have reviewed and considered the information in the CRA Audit File, and have conducted our own investigation into the issues raised in the AFL.
7. For the reasons detailed below, the Charity respectfully requests that the CRA reconsider its intention to assess the Charity with the Penalty.
8. As we have discussed during our most recent telephone conversations, and as further explained in these submissions, the Charity is extremely concerned by the findings of the CRA in the course of the current audit, as well as additional information uncovered by the Charity while conducting its own investigation and preparing these submissions. The Charity is committed to compliance with the ITA and wishes to ensure that all issues of non-compliance that have been identified are addressed fully. It has already taken numerous steps in this direction.
9. These submissions are not intended to minimize the seriousness of the issues that have been uncovered in this audit, but rather to set out the background explaining, to the best of our ability, how and why they occurred, as well as to describe systems that are to be put in place so that all future receipts are issued by the Charity in strict compliance with the ITA.
10. We believe that, with a full understanding of all circumstances surrounding the non-compliance, the steps taken by the Charity to date and proposed to be taken going forward, as well as the impact the Penalty would have on the Charity, its students, its parent body, its employees (including its teachers), and the Montreal Jewish Community at large, the CRA can and should conclude that the application of the Penalty would be unwarranted and excessively punitive and that the issues of non-compliance can be addressed more appropriately with a compliance agreement.



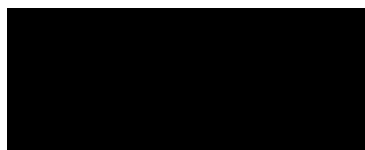
## **A. BACKGROUND**

### **(i) History**

11. The Charity was formed in 1913 with a strong Zionist emphasis (it was established by members of the Labour Zionist Poale Zion movement) calling for instruction in both Hebrew and Yiddish and the inclusion of cultural and religious education. The Charity is founded and based on a pluralistic vision of Judaism. In 1920, the Charity established its first kindergarten class and in 1927 the Charity organized the first Jewish day school in Montréal. Students were taught public school curriculum, as well as Jewish education, history and literature. The Charity was registered as a charitable organization with the CRA on January 1, 1967 under the third head of charity, advancement of education. The Charity now conducts classes from kindergarten to 11<sup>th</sup> grade and has approximately 500 students annually.
12. The Charity offers English and French sections as well as the International Baccalaureate Primary Years and Middle Years Programmes.
13. The Charity is committed to lifelong learning and to its students becoming productive citizens within the Quebec, Canadian and global communities.

### **(ii) Director of Finance & Administration**

14. The Charity employs a Director of Finance & Administration ("DFA") who reports directly to the Head of School (the "HOS") (please note that currently the Charity has two HOS). The HOS is the most senior management position in the Charity, and (as is typical in many charities) relies on the accounting expertise of the DFA. The expertise of the HOS is completely different and is focused on the administration of the Charity's educational programming.
15. The DFA leads the finance department of the Charity and manages a cross-functional team of three people:
  - a) a controller who is also in charge of payroll;
  - b) a person assigned to accounts payable; and

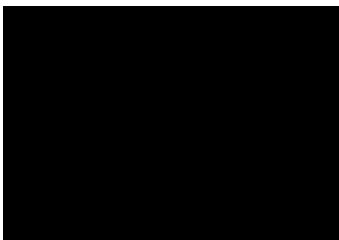


c) a person assigned to accounts receivable.

16. The DFA converts financial data into strategically meaningful information by developing and presenting financial reports, managing the budget development process and cash-flow, and monitoring real-time results including bank position analysis.
17. The DFA also leads the process of preparing the Audit Working Paper File in connection with the Charity's annual financial audit, which includes the elaboration of financial statements and the preparation of the annual filings for governmental authorities (e.g., pension plan, MELS reports etc.).
18. The DFA is also responsible for administering official donation receipts for the Charity. In administering the official donation receipts, the DFA is responsible for calculating the portion of tuition fees allocable to the secular studies (the "Calculation") on a yearly basis, which is then subtracted from the overall tuition fees on each receipt to arrive at the eligible amount of the gift as per the published policies of the CRA.
19. The DFA thus plays a crucial role in the Charity. The DFA collects, prepares and presents all of the material financial information on behalf of the Charity. Numerous persons working for or involved with the Charity, including the Board and the HOS, rely on the information provided and prepared by the DFA. For this reason, the Charity has always made sure to hire credentialed, experienced, and highly recognized accounting experts to occupy the position of DFA.

20. From May 11, 1995 until January 15, 2007, the DFA was [REDACTED]

21 [REDACTED]



**(iii) Previous Audit**

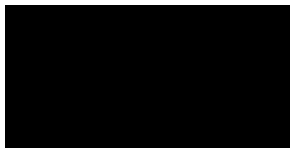
22. As mentioned in the introduction to these submissions, the CRA had conducted the Previous Audit and, as part of that audit, analyzed the Calculation methodology used by the Charity to determine the secular cost per pupil.

23. Although the CRA Audit File included certain documents related to the Previous Audit, it did not contain all of the documents related to the Previous Audit. Rather, much of the documentation in the CRA Audit File is comprised of exchanges of correspondence between the CRA and the Charity in the course of the Previous Audit.

24. The undersigned attorneys contacted the CRA to verify if additional documents from the Previous Audit file could be provided to the Charity and was advised that the only documents still available within the CRA system were included in the CRA Audit File.

25. Thus, the CRA Audit File only provides the following information regarding the Previous Audit:

- a) the DFA of the Charity was, for the Charity's 2001 year-end and at the time of the Previous Audit, [REDACTED] who also seems to have been the principal person dealing with the CRA during the Previous Audit;
- b) on March 13, 2003, a letter was sent by the CRA to the Charity containing its audit findings for the June 30, 2001 year-end. At page 3, the CRA indicates that there was one element of non-compliance regarding the Calculation, resulting in the CRA revising the allocation per pupil of the secular portion of tuition fees to \$1,400, which was \$200 more than the Charity's calculation of that amount. A copy of the March 13, 2003 letter is attached as **Schedule B**;
- c) on March 21, 2003, Ms. Louise Dubé of the CRA sent a letter to the Charity addressed to [REDACTED]. At page 3 of this letter, the CRA informs the Charity that the allocation per pupil of the secular portion of the tuition fees was revised (from \$1,200 to \$1,400) and that the Charity was required to send an undertaking to the CRA within 30 days as to how the Charity planned to address the problem. Please note that the letter does



not explain what aspect of the Calculation was revised by the CRA to arrive at the higher cost per pupil. A copy of the March 21, 2003 letter is attached as **Schedule C**; and

- d) on April 1<sup>st</sup>, 2003, [REDACTED] corresponded with the CRA indicating that the Calculation methodology for the allocation per pupil of the secular portion did contain a **minor error** and that future Calculations would correct this minor error. We believe that this letter was considered by the CRA as constituting the undertaking referred to in paragraph (c) above (the "**Undertaking**"). A copy of the April 1<sup>st</sup>, 2003 letter is attached as **Schedule D**

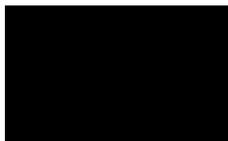
26. Unfortunately, the details of the elements analysed by the CRA in the course of the Previous Audit are not available to the Charity and so it is impossible for the Charity to know precisely the **minor error** that was detected by the CRA in the Calculation methodology previously used by the Charity.

27. However, it is reasonable to draw the following conclusions from the documents found in the CRA Audit File.

- a) the Charity was using a Calculation methodology that was aligned with the applicable CRA policies and only **one minor error** in this methodology was detected by the CRA. The CRA agreed that the error was minor, as indicated at page 10 of the AFL and page 71 of the CRA Audit File, and
- b) the Undertaking agrees to correct this minor error for all future Calculations

28. From the information gathered internally at the Charity, it is understood that the minor error was, in fact, properly corrected by [REDACTED] in the Calculations done for subsequent years and that [REDACTED] used an accurate Calculation method until [REDACTED] ceased working for the Charity on January 15, 2007.

29. Following the conclusion of the Previous Audit, the Charity was under the impression that the minor error detected by the CRA with regard to the Calculation had been properly corrected and that the methodology used afterward was compliant with the Undertaking. As set out further below, the



Charity's Board and HOS were never made aware that this methodology was modified or no longer being used.

(iv) Hiring of [REDACTED]

30. Following [REDACTED] departure as DFA of the Charity, the Charity hired [REDACTED] to this position.

31. A copy of [REDACTED] *curriculum vitae* is attached as **Schedule E**.

32. [REDACTED]

33. Prior to joining the Charity, [REDACTED] was:

[REDACTED]

34. Upon reviewing [REDACTED] background and experience, and following an interview process, the Charity was convinced that [REDACTED] was perfectly fit for the job. In fact, the Charity was reassured that [REDACTED] possessed even more accounting experience than [REDACTED]

35. [REDACTED] first day of work as DFA of the Charity was April 11, 2007.

36. Even though there was no official overlap period during which both [REDACTED] were working for the Charity, it was made very clear [REDACTED] that [REDACTED] would remain fully available for questions and support.

37. [REDACTED] has confirmed to us that [REDACTED] spoke with [REDACTED] on a number of occasions and even met [REDACTED] once to discuss the scope [REDACTED] as DFA.

[REDACTED]

38. Furthermore, [REDACTED] accounting files were perfectly organized and available to [REDACTED] to allow [REDACTED] to clearly understand [REDACTED] role and responsibilities.
39. [REDACTED] was also supported by the Finance Committee of the Charity and the external accounting firm auditing the Charity. [REDACTED] had the opportunity to ask questions and share with these persons any uncertainties [REDACTED] faced in executing [REDACTED] functions.
40. Given their professional status and designations, as well as their expertise, both [REDACTED] were given appropriate autonomy in the execution of their functions. The Charity's Board and HOS reasonably relied on them for numerous accounting calculations and determinations, including the Calculation of the cost per pupil of the secular portion of tuition fees.
41. Prior to receiving the AFL in October 2021, the Charity was under the honestly-held impression that [REDACTED] had been performing [REDACTED] tasks in an accurate and professional manner and, more specifically, that any and all accounting information and calculations prepared [REDACTED] were done in accordance with the ITA as well as in conformity with the conclusions of previous tax audits conducted by the CRA. [REDACTED] was never subject to any disciplinary complaints and, until the most recent events, the Charity considered [REDACTED] as an exemplary employee.

**(v) Steps taken following receipt of AFL**

42. When the Charity received the AFL in October 2021, the Charity's HOS and Board were frankly shocked at the non-compliance that was indicated. They immediately decided that a mandate needed to be granted to a law firm with expertise in tax and charity law to assist the Charity with this audit and with the Charity's investigation of the non-compliance that was alleged to have occurred.
43. [REDACTED] was engaged by the Charity and began working with its representatives, including [REDACTED] to obtain relevant information and documents.
44. Following the receipt and analysis of the AFL and after reviewing the CRA's Audit File, representatives of the Charity and the undersigned attorney met [REDACTED]

[REDACTED]

██████████ on numerous occasions to obtain as much information as possible, as well as all relevant documents, on precisely how the secular cost component of the tuition fees was calculated since the time that ██████████ assumed the role of DFA. ██████████ quickly began contradicting ██████████ and unveiling additional factual elements from one meeting to the next. The Charity's level of trust in the information provided by ██████████ declined quickly.

45. Furthermore, as a result of the information provided ██████████ during these meetings, the Charity became extremely concerned about how ██████████ had carried out ██████████ duties and about the accuracy of the information was providing to the CRA. Consequently, ██████████ was immediately informed that ██████████ was no longer authorized to communicate any information or documents to the CRA. ██████████

46. The Treasurer of the Charity also decided that the calculation of secular fees for 2021 (i.e., the current year being prepared), as well as all future calculations, must be reviewed *in detail* by the Treasurer with the support of the Finance Committee. While the Treasurer and Finance Committee have always played a general oversight role, this level of detailed review of the cost per pupil calculation has not previously been implemented (as it had not been understood to be necessary given the role of ██████████ credentials and ██████████ past work experience and is not normally part of the function of the Board Treasurer and Finance Committee). The Treasurer and the Finance Committee will now review the calculation of the cost per pupil in fine detail to ensure that the calculation is done in accordance with the ITA and applicable CRA policies and supported by all relevant documents.

47. ██████████

48. ██████████ remains an employee of the Charity to make sure that all relevant documents and information required to address the current audit with the CRA would be obtained and provided without any delay. However, as indicated above, since receiving the AFL, all information and documentation provided by ██████████

██████████



██████████ As mentioned above, prior to the receipt of the AFL (and even during the field audit), ██████████ did not inform the Charity of this situation.

53. ██████████ did not ask questions or request permission of or from anyone within the Charity or the Charity's auditors prior to ceasing to use the appropriate Calculation methodology, nor did ██████████ inform anyone after the fact of ██████████ decision until confronted as part of the events described herein subsequent to the receipt of the AFL. The Charity was acting reasonably in assuming that ██████████ was continuing to use the proper methodology for the Calculation and that ██████████ was following the accounting practices established by ██████████ predecessor and as prescribed by the ITA and its Regulations.

54. Although ██████████ was given autonomy in the execution of ██████████ role as DFA, ██████████ knew that any important modifications to the accounting methodology used to prepare accounting and tax information for the Charity should be explained to and approved by the Charity and its auditors prior to implementation. This would have been particularly true of any change to the methodology inherent in the Calculation.

55. Neither the Board, the Finance Committee, nor the external auditors of the Charity would have accepted any change to the methodology inherent in the Calculation, particularly having regard to the Undertaking.

56. The current audit was initiated by the CRA on December 6, 2016. At the time, the auditor was Mr. Polizzi.

57. From the very beginning of this audit, ██████████ was the primary representative of the Charity and took the lead personally in all exchanges of correspondence, telephone conversations and meetings with the CRA.

58. At no point in time during the audit (i.e. between December 2016 and October 2021) did ██████████ advise the Charity that the CRA informed ██████████ of any serious anomaly or that the CRA was concerned that a material error could have been made by the Charity.

59. From the information obtained in the CRA Audit File, we understand that, at the outset of its audit, the CRA asked ██████████ for the Calculations for the June 30, 2014 and 2015 year-ends.

██████████

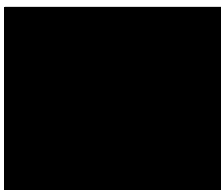
60. As previously mentioned, [REDACTED] last Calculation using the appropriate methodology was for the June 30, 2009 year-end. When requested to provide the calculations for the June 30, 2014 and 2015 year-ends by the CRA auditor, [REDACTED] prepared these in early 2017 based mostly on the methodology used for the June 30, 2007, 2008 and 2009 year-ends.

61. [REDACTED] informed the Charity's Treasurer that [REDACTED] had been requested to provide the CRA with the details of the Calculations for the June 30, 2014 and 2015 year-ends. However, [REDACTED] did not provide the context for this and did not explain that [REDACTED] had in fact not done the Calculations until requested by the CRA. The Treasurer understood that [REDACTED] was simply providing the details of the Calculations conducted for the relevant years. There were no red flags that suggested to the Treasurer that this was anything other than a typical response to a request for financial details in the course of an audit.

62. On February 13, 2017, just over two months following the commencement of the audit

- a) Mr. Polizzi had received from [REDACTED] the Calculations for the June 30, 2014 and 2015 year ends;
- b) Mr. Polizzi had analyzed these Calculations provided by [REDACTED]
- c) Mr. Polizzi had identified the Detected Anomaly (that the allocation per pupil of the secular portion of the tuition for these years were higher than the \$2,000 value used by the Charity). However, Mr. Polizzi appears to have thought that [REDACTED] did the Calculation for 2014 and 2015, but modified it in 2017 during the audit. As explained before, [REDACTED] initially did not perform the Calculation for 2014 and 2015 and only did so when requested by Mr. Polizzi at the beginning of this audit.

63. The Charity was only made aware of the elements indicated at paragraph 62 above when the AFL was received in October 2021.



## B. NO DELIBERATE INTENTION TO MISSTATE RECEIPTS

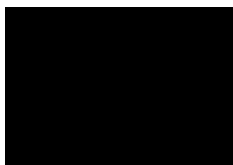
64. The Charity understands that the incorrect cost per pupil amount used by [REDACTED] [REDACTED] resulted in donation receipts being issued for eligible amounts that were overstated. This overstatement was the result of the undetected misconduct of a single employee, as set out above, and not out of any intention on the part of the Charity to confer an inappropriate tax benefit on any person.

65. As support for the fact that the overstated amounts were not intended to confer a benefit on parents of the Charity's students, it is to be noted that the primary motivation behind parents choosing the Charity as the school for their children is not the value of the donation receipt, but rather the very high quality of the education, both secular and religious, that has been offered by the Charity over the course of its now more than 100 years of service. It is our understanding that the Charity has never received a request or pressure from any parent to increase the value of the tax receipts arising from the tuition. Thus, the Charity had no incentive to intentionally overstate the eligible amount of its official donation receipts, nor would it ever consider doing so.

## C. SANCTIONS

66. The Charity is dedicated to rectifying the mistakes that have been uncovered and ensuring that all receipts are issued in a manner that complies in full with the ITA. The Charity wishes to find proactive solutions that would be acceptable to the CRA to ensure that the future Calculations are done in accordance with the ITA as well as the administrative policies of the CRA.

67. The Charity is also trying to find proactive solutions that would be sustainable and allow the Charity to continue its activities, which would not be the case if the CRA assesses the Penalty against the Charity. If the Charity ceases its operations, this would have a devastating impact on the Charity's 551 current students in the continuity of their education. Not only would their elementary and secondary education be interrupted, but these students would have no other institution to turn to, as no other school in Montreal offers the combined Jewish education and International Baccalaureate programs. Moreover, Montreal would be losing one of the most important pillars of the Montreal Jewish Community.



68. The Charity therefore requests that the CRA exercise its discretion not to assess the Penalty, but rather permit the Charity to enter into a formal compliance agreement confirming appropriate corrective measures to be undertaken by the Charity. The Charity is keen to discuss the details of such corrective measures with the CRA.

69. It should be noted that the Charity has already taken several immediate steps to ensure the accuracy of the official donation receipts it issues, and to ensure that the Calculation is performed correctly. This includes:

- a. undertaking a search for a new DFA with specific expertise in charity accounting and [REDACTED] as soon as it is practical to do so;
- b. immediately informing [REDACTED] that [REDACTED] was no longer authorized to send documents and information to the CRA and that [REDACTED] work needed to be reviewed by the Treasurer and the Finance Committee;
- c. instituting a full detailed review of the cost per pupil Calculation by the Finance Committee in order to ensure accuracy; and
- d. engaging [REDACTED] accounting firm with specialized expertise in charity accounting, to advise with respect to the cost-per-pupil calculation in order to further ensure accuracy.

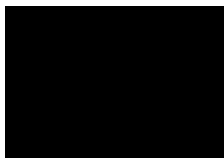
70. As outlined in Guidelines for applying sanctions<sup>1</sup> (the “Guidelines”) published by the CRA, the Penalty is not mandatory, but one which the CRA may only apply when appropriate.

71. More particularly, the Guidelines confirm that the ITA confers upon the CRA the statutory discretion to “select the tool appropriate to the circumstances”<sup>2</sup> when addressing issues of non-compliance under the ITA.

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<sup>1</sup> Canada Revenue Agency, “Guidelines for applying sanctions” (last modified 2017-10-31) available online: (<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidelines-applying-sanctions.html>) [Guidelines].

<sup>2</sup> *Supra*, note 1.



72. The Guidelines further confirm that “[t]he purpose of a sanction is to encourage compliance with the requirements of the *Income Tax Act*.”<sup>3</sup> Accordingly, the Guidelines state:

The Charities Directorate has a responsibility to ensure that registered charities comply with their legal requirements under the Income Tax Act. We prefer to do this through educating charities about the rules and working with them to sort out any problems that arise.<sup>4</sup>

73. As set out in the Guidelines, the following comprise the CRA’s potential responses to non-compliance, which are ordered from least to most severe:

- (a) education;
- (b) compliance agreement;
- (c) sanctions in the form of financial penalties, or a suspension of the charity’s status as a qualified donee; and
- (d) revocation of a charity’s registration.<sup>5</sup>

74. Consistent with the CRA’s stated preference for taking an “education first” approach to ensuring compliance, the Guidelines state that the CRA generally applies a form of progressive discipline by first applying less onerous penalties before applying stricter penalties. The Guidelines state:

As a general rule, the Directorate intends to start with educational methods to obtain compliance, and then move progressively through compliance agreements, sanctions, and the ultimate sanction of revocation, if necessary. However, the Act allows us to select the tool appropriate to the circumstances.

75. The CRA expressly recognizes that exceptional circumstances will be taken into account and that the Guidelines are not to be applied in a formulaic manner.

76. The Guidelines specifically contemplate a situation where the CRA would be more likely to decline to impose a financial sanction, and opt instead to use a compliance agreement, where the unauthorized actions of one of the charity’s employees has led to a serious case of non-compliance with the ITA:

This describes our general approach. However, we know that exceptional circumstances arise, and we intend to allow for them. For

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<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

example, we would be more likely to use a compliance agreement than a sanction for a case of serious non-compliance resulting from the unauthorized actions of a single employee, where the charity is ready to take steps to rectify the situation and prevent a recurrence.<sup>6</sup>

77. As described above, this is precisely the circumstance with which the Charity is faced. The unauthorized misconduct of a single employee, otherwise highly qualified and trusted throughout her career with the Charity and on whom the Charity reasonably relied, has exposed the Charity to the Penalty. The Charity's volunteer Board was kept in the dark by [REDACTED] and it did not realize [REDACTED] misconduct until it received the AFL. The Charity and its Board recognize that the Charity is ultimately accountable for the actions of its employees, and deeply regrets what has been uncovered by this audit. However, the non-compliance that has been uncovered is not systemic within the Charity, and we believe that the Charity should not be financially ruined as a result of these deeply unfortunate circumstances.

78. For this reason, and for the further reasons set out below, the Charity respectfully submits that it would be reasonable and justified for the CRA to exercise its discretion not to assess the Penalty.

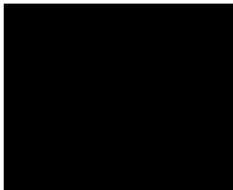
79. It must be understood that assessing the Charity with the Penalty, as contemplated in the AFL, would be financially catastrophic and would threaten the Charity's ability to continue operating. The proposed Penalty of \$9,712,190 constitutes approximately 76% of the total value of the Charity's net assets (the vast majority of which consist of illiquid land and buildings used in the Charity's operations).<sup>7</sup> The Charity consumes nearly all of its annual revenue on its educational operations each year.<sup>8</sup> It is likely that a requirement to pay the Penalty in full would render the Charity insolvent.

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<sup>6</sup> Supra, note 1.

<sup>7</sup> Based on the Charity's T3010 return for the year ending June 30, 2021. The Charity's total assets are valued at \$14,114,751, of which \$11,044,012 consist of land and buildings. These assets are offset by \$1,435,025 in liabilities.

<sup>8</sup> In its fiscal year ending June 30, 2021, the Charity took in revenue of \$11,055,278 and incurred expenditures totaling \$11,147,174.



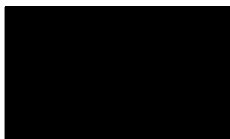
80. Furthermore, a suspension of the Charity's status as a qualified donee for a one-year period would compound the financial challenges for the Charity. The Charity would be unable to fundraise to assist it in meeting the Penalty, or to enable it to sustain its operations.

81. The effect of the Penalty, therefore, would be tantamount to capital punishment for the Charity.

82. The Charity has a long history of over 100 years and plays an important role in the Montreal community serving hundreds of students each year. The Charity represents a pillar of the Montreal Jewish Community. It is the only Jewish educational organization in the entire Province of Quebec which has been accredited to provide the International Baccalaureate Primary Years and Middle Years Programmes.

83. The programs offered by the Charity help its students to excel academically and personally. The following are examples of the Charity's programs:

- a) the Charity offers more hours of instruction in French than required by the Quebec Ministry of Education and all student are taught Français Langue d'Enseignement;
- b) the Charity offers tuition assistance to students who need it, in order to accommodate a vast array of students from different cultural and financial milieus;
- c) the Judaic Studies program allows students to explore their Jewish history;
- d) the Charity enforces a zero-tolerance anti-bullying policy;
- e) the Charity offers streamed mathematics groups;
- f) the Charity was the first Jewish Day school in Montreal to implement the STEM (Science, Technology, Engineering and Mathematics);
- g) the Charity's innovative Science Program starts as early as Kindergarten;
- h) the Charity uses the latest technology for their students including a 3D printer, iPads and interactive whiteboards;



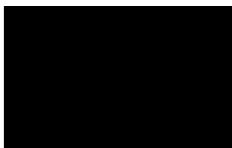
- i) the Charity's on-site Student Services Department includes an occupational therapist, speech language pathologist, social worker, student support facilitator and student service coordinator;
- j) the Charity has a support service team dedicated to students with learning difficulties;
- k) the Charity offers a large variety of extra-curricular activities at lunchtime and after school including book clubs, girl's club, boy's club, yoga, hip hop, chess, theater, competitive sports and more.

84. The presence of the Charity is extremely valuable for the Montreal Jewish Community and major negative consequences would result from its loss. In particular, this would significantly disrupt its students' learning and the charitable work that the Charity undertakes. There are 551 students that are currently enrolled and taking classes at the Charity and whose academic years would be thrown into turmoil if the Charity were cast into financial ruin as a result of the Penalty.

85. The Undertaking in 2003 was in respect only of a minor error in the Calculation. The Charity does not have a record of serious non-compliance and, indeed, the Charity and its Board believed that the Charity was operating in conformity to the ITA and the Undertaking until it received the AFL. There is no question of the Board's commitment to compliance, as demonstrated by the steps it has taken since discovering the issues raised in the AFL.

86. While the Charity cannot undo what has occurred in the past, the non-compliance has not resulted in a substantial adverse impact on the Charity's beneficiaries, donors or funders. There has been no intention to confer an inappropriate tax benefit on any person.

87. As mentioned, all accounting work is now being closely supervised by the Treasurer and the Finance Committee and the Charity's is actively looking to find a replacement DFA as soon as possible (but in a desire to make sure the chosen candidate will be fully competent for this mandate, this search could take a few weeks or months).



88. The current audit was only concluded and the AFL only sent by the CRA to the Charity in October 2021 and thus the Charity only became aware of the Detected Anomaly at that time. It has acted expeditiously since then to address the Detected Anomaly. There is no question of its willingness to ensure that the errors of the past are not repeated.
89. The Charity is committed to ensuring that it will be fully compliant in the future with the ITA and CRA guidance. It is common for the Calculation of the cost per pupil to be performed entirely by the DFA and for the Charity to rely on this, absent specific evidence of issues of concern (which, as noted, [REDACTED] concealed). The Calculation is also not normally reviewed as part of an annual external audit of the Charity. However, in light of what has been discovered and as a result of the current audit, a complete process will be established to ensure that vital accounting information/calculations prepared by the future DFA will be reviewed in detail and approved by the Finance Committee and no changes to those processes will be made without prior approval from the external auditors. The Charity will enact specific written policies in this respect.
90. The Charity has mandated [REDACTED] which has a high level of specialized technical expertise in charity, tax and accounting matters, to completely review the methodology of the Calculation for 2021 and to ensure all future determinations of the secular portion of tuition fees will be accurate and conducted in accordance with the CRA's administrative policies (the [REDACTED] Mandate"). The [REDACTED] Mandate was not part of the initial budget of the Charity but this extraordinary measure was taken in order to ensure no future mistakes in the Calculation would be made.
91. [REDACTED] does not act as an external auditor of the Charity.
92. We believe that, in all the circumstances, the Charity should be given the opportunity to enter into a formal compliance agreement with the CRA confirming appropriate corrective measures to be undertaken by the Charity. This will provide needed assurance to the CRA, and will enable the Charity to continue serving its students and its community as it has done for over a century.
- [REDACTED]

The undersigned attorney remains fully available for any questions and comments with regard to these submissions.



# SCHEDULE A

Canada Revenue  
AgencyAgence du revenu  
du Canada

PROTECTED B

October 5, 2021

**Registered Mail**[REDACTED]  
Director of Finance

Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. /

Jewish People's Schools And Peretz Schools Inc.

6502 Kildare

Cote Saint-Luc QC H4W 3B8

BN: 10753 4893 RR0001

File No.: 0156919

Dear [REDACTED]:

**Subject: Audit of Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish People's Schools And Peretz Schools Inc.**

This letter results from the audit of Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish People's Schools And Peretz Schools Inc. (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period of July 1, 2013 to June 30, 2015.

On October 4, 2021, you were advised that the CRA had identified specific areas of non-compliance with the provisions of the Income Tax Act (the Act) and/or its Regulations in the following areas.

	Area of non-compliance	Reference
1.	Issuing receipts not in accordance with the Act	Regulation 3501(1), 163.2, 168(1)(d), 188.1(9), 188.2(1)(c)

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.

Canada

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

### Identified area of non-compliance

#### **Issuing receipts not in accordance with the Act**

##### Legislation

Subsection 3501(1) of the Income Tax Regulations provides a list of information that every official donation receipt issued for a gift received by a registered charity must contain. One of which is the "eligible amount of the gift." Paragraph 3501(1)(h) 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 readily be altered,

(h) the amount that is

(i) the amount of a cash gift, or

(ii) if the gift is of property other than cash, the amount that is the fair market value of the property at the time that the gift is made;

(h.1) a description of the advantage, if any, in respect of the gift and the amount of that advantage;

(h.2) the eligible amount of the gift"

Pursuant to subsection 248(31) of the Act, the eligible amount of a gift is the excess of the fair market value of the property transferred to a qualified donee over the amount of the advantage provided to a donor. The amount of the advantage is defined in subsection 248(32) of the Act as the total value, at the time the gift is made, of any property, service, compensation, use or other benefit that the taxpayer obtained, received or enjoyed as consideration for, in gratitude for or in any other way related to the gift.

The CRA provides a suite of public guidance and policies on how to calculate the eligible amount of a gift<sup>1</sup>, specifically, where there are advantages or other exemptions involved. The Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value, provides guidance on how to calculate the eligible amount of the official donation receipt of a gift after isolating all the advantages that the donor may have received when transferring the gift to a registered charity. Additionally, and specific to charities such as the Organization that operate as religious schools that provide both religious and secular education, Information Circular IC75-23, Tuition Fees and Charitable Donations Paid to

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<sup>1</sup> Under the common law, "a gift is a voluntary transfer of property owned by a donor to a donee, in return for which no benefit or consideration flows to the donor" (The Queen v Friedberg, [1992] 1 CTC 1, 92 DTC 6031 (FCA)).

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Privately Supported Secular and Religious Schools, provides the CRA's policy on how to determine the eligible amount of the gift for the donation receipts when the tuition is paid for both secular and religious education.

It is the responsibility of a charity to ensure that its official donation receipts contains all the required information including the correct amount of the advantage and the correct eligible amount of the gift. Including an incorrect amount of the advantage and the eligible amount of the gift in an official donation receipt may constitute a false statement subject to a penalty under subsection 188.1(9) of the Act, in cases where the charity knew, or reasonably ought to have known, if not for its culpable conduct, that a false statement was made on an official donation receipt.

In the case of this audit, the Organization is a private school that issued official donation receipts for the religious portion of the tuitions paid. As such, the Organization was required to determine the amount of the advantage in respect of the gift and the eligible amount of the gift for the official receipts issued with respect to the tuition paid.

Information Circular IC 75-23, specifically paragraphs 7 and 8, sets out CRA's position on how schools, which operate in a dual capacity, providing both secular and religious education, should calculate the amount of the advantage in respect of the gift and the eligible amount of the gift for the donation receipt.

When the school can and does segregate the cost of operating the secular portion of the school and the cost of providing religious training, the net cost of operating the secular portion of the school is to be pro-rated over the number of pupils enrolled during the school year to determine a "cost per pupil" for the secular training, which would be the value of the advantage received as consideration for the gift.

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, which would be the eligible amount of the gift.

The net cost of operating the secular portion of the school will be determined to be the total operating costs of that portion of the school for a school year (excluding capital expenditures and depreciation) less miscellaneous income, grants received and donations received from persons with no children in attendance, unless such grants or donations were designated for a capital purpose. The "cost per pupil" would be calculated as the above-described cost divided by the number of students enrolled during the school year.

#### False Receipting

Under subsection 188.1(9) of the Act, a person may be held liable for a penalty where they knew, or reasonably ought to have known, if not for its culpable conduct, that a false statement was made on an official donation receipt.

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**188.1(9) False information:**

If at any time a person makes or furnishes, participates in the making of or causes another person to make or furnish a statement that the person knows, or would reasonably be expected to know, but for circumstances amounting to culpable conduct (as defined in subsection 163.2(1)), is a false statement (as defined in subsection 163.2(1)) on a receipt issued by, on behalf of or in the name of another person for the purposes of subsection 110.1(2) or 118.1(2), the person (or, where the person is an officer, employee, official or agent of a registered charity, registered Canadian amateur athletic association or registered journalism organization, the charity, association or organization) is liable for their taxation year that includes that time to a penalty equal to 125% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

Audit Findings

During the audit, we requested that the Organization provide information detailing how it had determined the eligible amounts of the donation receipts it issued with respect to tuition fees paid for religious instruction.

We found that for the 2013-2014 and 2014-2015 fiscal periods, the Organization had undertaken a calculation to determine the cost per pupil of the secular program using the net cost of operating the secular portion of its school and dividing it by the number of students enrolled in the school year. The cost per pupil for the secular program was calculated to be \$2,425.08 for the 2013-2014 fiscal period, and \$2,950.66 for the 2014-2015 fiscal period.

Despite undertaking the calculation to determine the secular cost per pupil, the Organization chose to use an arbitrary amount of \$2,000 as the secular cost per pupil for the purpose of determining the eligible amount for the official donation receipts issued with respect to the religious portion of tuition paid during the years under audit.

During the May 8, 2018 meeting with the auditor, [REDACTED] the Organization's authorized representative, informed us that the Organization was aware that the cost per pupil used to determine the amounts reported on its official receipts was arbitrary and not correct. [REDACTED] explained how, since 2007, the school had used the net cost of operating the secular portion of the school to calculate the secular cost per pupil for each financial year end but had chosen to use the arbitrary secular cost per pupil of \$2,000. In addition, during the audit, the Organization's representative provided the CRA a document showing the Organization's calculation of the secular cost per pupil to be used in determining the eligible amounts of donation receipts for the religious portion of tuition paid. The document showed the calculation of the costs per pupil noted above and noted that a cost per pupil of \$2,000 would instead be used to determine the eligible amount for the donation receipts.

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While the arbitrary cost per pupil of \$2,000 was widely used by the Organization, there were instances where other amounts were also used. We provide in Tables 4 and 5, and Tables 6 and 7 below examples of where other amounts were used. Where the Organization used an amount other than \$2,000, the amount was still arbitrary and understated. As such, donation receipts calculated on the basis of those amounts were also incorrect and overstated, and therefore contained a false statement. For simplicity and ease of reading, this letter refers to the understated cost per pupil as \$2,000 for all instances of misstated donation receipts<sup>2</sup>.

Registered charities are responsible for ensuring that all of their official donation receipts are issued for the correct amount. In the case of issuing donation receipts for amounts paid for tuition for both religious and secular instruction, the charity must determine the amount of the advantage received as consideration for the gift and the eligible amount of the gift. This involves calculating what portion of the tuition paid relates to the secular studies, as explained in this letter and in IC75-23.

As noted during the audit and explained in this letter, the Organization demonstrated that it was familiar with the requirement and calculated the actual cost per pupil of secular studies to determine the correct eligible amounts of donation receipts for religious tuition.

However, the Organization issued donation receipts for the religious portion of the tuition paid, using an arbitrary amount of \$2,000 as the value of the advantage with respect to the secular studies, an amount that was less than the actual value of the advantage of the secular studies, calculated using the net operating costs of the secular program. As explained above, the Organization was aware that the cost per pupil it used was an arbitrary amount and was incorrect. It is our view that the Organization knew or would reasonably be expected to know that the arbitrary amounts it used to calculate the advantage and the eligible amount were incorrect. As such, for both of these reasons, we consider that by intentionally including incorrect amounts of the advantage and the incorrect eligible amounts on its official donation receipts, the Organization made false statements on the receipts.

To summarize, by using an arbitrary cost per pupil that was less than the correctly calculated one, the Organization understated the amount of the advantage received as consideration for the gift and overstated the amounts reported as the eligible amounts of donation receipts issued for the religious portion of tuition fees. As a result, the donation receipts contained false statements, with respect to the amount of the advantage and the eligible amount of the gift, that the Organization knew or would reasonably be expected to know but for circumstances amounting to culpable conduct were false statements.

The following table shows the overstated amount for each donation receipt issued during the fiscal periods under audit.

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<sup>2</sup> Note that given that the penalty under subsection 188.1(9) is calculated based on the amount reported on the donation receipt(s) rather than the amount(s) of the overstatement(s), the variances in the cost per pupil used wherever the cost used is understated will not cause the amount of the penalty to change.

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Table 1

	Fiscal year 2013-2014	Fiscal year 2014-2015
Cost per pupil calculated by the Organization	\$ 2,425.08	\$ 2,950.66
Cost per pupil used by the Organization	\$ 2,000.00	\$ 2,000.00
Cost per pupil understated by	\$ 425.08	\$ 950.66

As discussed above, the eligible amount for which the Organization can issue a donation receipt is the amount related to the religious instruction which is calculated by subtracting the advantage, the cost per pupil of the secular instruction, from the total amount of the tuition paid to the Organization for a student.

In the following table, we provide the example of donation receipt no. 2013-11 issued by the Organization during the 2013 fiscal period to demonstrate the effect of using the incorrect cost per pupil of \$2,000.

Table 2

<b>Amount reported as the eligible amount of the donation receipt based on the incorrect cost per pupil of \$2,000:</b>	
Total tuition paid	\$ 10,480.00
Less: Secular incorrect cost per pupil	\$ 2,000.00
Less: Home & School Bialik <sup>1</sup>	\$ 30.00
Amount reported as the eligible amount of the donation receipt	\$ 8,450.00
<b>Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization:</b>	
Total tuition paid	\$ 10,480.00
Less: Secular correct cost per pupil calculated by the Organization	\$ 2,425.08
Less: Home & School Bialik	\$ 30.00
Correct eligible amount of the donation	\$ 8,024.92

Table 3

<b>Overstated amount of the donation receipt:</b>	
Eligible amount reported on the donation receipt based on the incorrect cost per pupil	\$ 8,450.00
Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization	\$ 8,024.92
<b>Overstated amount of the donation receipt</b>	<b>\$ 425.08</b>

<sup>1</sup> The official donation receipt indicates the value of the advantage subtracted from the total amount of the donation in determining the amount reported as the eligible amount as \$2,030. This amount consists of the \$2,000 cost per pupil for secular studies and a \$30 fee unrelated to religious tuition called "Home and School / Free Dress Days".

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In the following table, we provide the example of donation receipt no. 2014-2307 issued by the Organization during the 2014 fiscal period to demonstrate the effect of using an incorrect, understated cost per pupil of an amount other than \$2,000.

Table 4

<b>Amount reported as the eligible amount of the donation receipt based on the incorrect cost per pupil of \$1,800:</b>	
Total tuition paid	\$ 2,667.99
Less: Secular incorrect cost per pupil	\$ 1,800.00
Less: Home & School Bialik <sup>4</sup>	\$ 27.00
Amount reported as the eligible amount of the donation receipt	\$ 840.99
<b>Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization:</b>	
Total tuition paid	\$ 2,667.99
Less: Secular correct cost per pupil calculated by the Organization	\$ 2,950.66
Correct Amount of donation	\$ - 282.67

Table 5

<b>Overstated amount of the donation receipt:</b>	
Eligible amount reported on the donation receipt based on the incorrect cost per pupil	\$ 840.99
Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization	\$ - (- 282.67)
Overstated amount of the donation receipt	\$ 1,123.66

In the following table, we provide the example of donation receipt no. 2014-2318 issued by the Organization during the 2014 fiscal period as an overstated receipt with a total cost per pupil of greater than \$2,000 because of being issued for a donation relating to more than one student.

Table 6

<b>Amount reported as the eligible amount of the donation receipt based on the incorrect cost per pupil of \$5,000:</b>	
Total tuition paid	\$ 26,940.00
Less: Advantage:	
Secular cost per pupil – Secondary 3 (student 1)	\$ 2,000.00
Secular cost per pupil – Secondary 1 (student 2)	\$ 2,000.00
Secular cost per pupil – Grade 1 (student 3)	\$ 1,000.00
Home & School Bialik <sup>5</sup>	\$ 30.00

<sup>4</sup> The official donation receipt indicates the value of the advantage subtracted from the total amount of the donation in determining the amount reported as the eligible amount as \$1,827. This amount consists of the \$1,800 cost per pupil for secular studies and a \$27 fee unrelated to religious tuition called "Home and School: Free Dress Days".

<sup>5</sup> The official donation receipt indicates the value of the advantage subtracted from the total amount of the donation in determining the amount reported as the eligible amount as \$5,040. This amount consists of the

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Home & School Elementary <sup>6</sup>	\$ 10.00
Total value of advantage	\$ 5,040.00
Amount reported as the eligible amount of the donation receipt	\$ 21,900.00
<b>Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization:</b>	
Total tuition paid	\$ 26,940.00
Less: Advantage:	
Secular cost per pupil – Secondary 3 (student 1)	\$ 2,950.66
Secular cost per pupil – Secondary 1 (student 2)	\$ 2,950.66
Secular cost per pupil – Grade 1 (student 3)	\$ 2,950.66
Home & School Bialik <sup>7</sup>	\$ 30.00
Home & School Elementary <sup>8</sup>	\$ 10.00
Total value of advantage	\$ 8,891.98
Correct Amount of donation	\$ 18,048.02

Table 7

<b>Overstated amount of the donation receipt:</b>	
Eligible amount reported on the donation receipt based on the incorrect cost per pupil	\$ 21,900.00
Eligible amount of the donation receipt based on the correct cost per pupil calculated by the Organization	\$ 18,048.02
<b>Overstated amount of the donation receipt</b>	<b>\$ 3,851.98</b>

The Organization's decision to knowingly use an incorrect cost per pupil of \$2,000 (or other understated amount, as explained) as the advantage and to calculate the eligible amounts of the official donation receipts resulted in an inflated donation amount of \$425.08 (or more, in certain cases) per donation receipt for the fiscal period 2013-2014 and \$950.66 (or more, in certain cases) for the fiscal period 2014-2015.

Note that the Organization was previously audited for its fiscal period ending June 30, 2001, whereby the CRA outlined its position on how to correctly calculate the cost per pupil to determine the amount for the donation receipt with respect to the religious portion of the program. The audit had found that the Organization had used a cost per pupil of \$1,200 to calculate the cost with respect to its secular program whereas the cost of pupil should have been \$1,400 as calculated by the auditor using the guidelines provided in Information Circular IC75-23. As a result of using an incorrect amount to calculate the cost with respect to its secular program, the calculated eligible amount of the donation receipts was also incorrect.

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\$5,000 (\$2,000 + \$2,000 + \$1,000) total costs per pupil for secular studies and a \$30 fee unrelated to religious tuition called "Home and School Free Dress Days".

<sup>6</sup> See footnote 4 above.

<sup>7</sup> See footnote 4 above.

<sup>8</sup> See footnote 4 above.

PROTECTED B

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That audit concluded with a "Letter of undertaking" dated March 21, 2003, in which, the Organization was requested to provide the CRA with its plans to address the issues identified by the audit including the receipting issues. The Organization responded to the CRA by letter dated April 1, 2003, in which, it stated "Concerning the cost per Pupil, we are indeed in agreement with the findings of the audit. The previous method of calculation did contain a minor. All future calculations and receipts will reflect the method as revised by your audit."

However, the current audit found that the Organization, instead of using the cost per pupil calculated using its actual operating costs, deliberately chose to use an arbitrary cost per pupil of \$2,000 as the advantage with respect to the secular program and to calculate the eligible amount of the donation receipt thereby making false statements on its donation receipts. As a result of the false statements made on the donation receipts with respect to incorrect amounts of the advantage and the eligible amounts each donation receipt issued by the Organization for the periods ending June 30, 2014 and June 30, 2015 was overstated by \$425.08 and \$950.66, respectively.

Given that the Organization was invited to remedy its receipting practice through a previous "Letter of understanding" and given that the Organization deliberately chose to use an arbitrary an incorrect cost per pupil of \$2,000 as the advantage with respect to the cost of the secular program and to calculate the eligible amounts of the donation receipts for the religious education, it is our opinion that the Organization knew or ought to have known that it had included incorrect amounts with respect to the advantage and eligible amounts on its official donation receipts thereby made false statements on the receipts. Therefore, the Organization is liable, under subsection 188.1(9), to a penalty equal to 125% of the amount of the receipts as calculated below.

#### **Penalty proposed**

Based on the audit findings and the intentional and repeated non-compliance receipting practice, it is our view that the Organization has made false statements on its official donation receipts. As a result, we are proposing to assess a penalty under subsection 188.1(9) of the Act. This penalty is applicable in situations wherein a person, such as a qualified donee makes a statement that it knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct, is false statement.

PROTECTED B

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Penalty calculation:

Les Ecoles Juives Populaires Et Les Ecoles Peretz Inc. / Jewish People's Schools And Peretz Schools Inc.				
Fiscal Period Ending	Type of Sanction	Sanction %	Sanctioned Amount <sup>9</sup>	Sanction
June 30, 2014	False information <sup>10</sup>	125%	\$4,226,038	\$5,282,547
June 30, 2015	False information	125%	\$3,543,714	\$4,429,643
Total				\$9,712,190

Furthermore, paragraph 188.2(1)(c) of the Act provides, where a penalty assessed under subsection 188.1(9) exceeds \$25,000 in any taxation year, the "Minister shall give notice to a registered charity that the authority of the charity to issue an official receipt is suspended for one year from the day after the day on which the notice is mailed."

Given the amount of the penalty for each fiscal period under audit exceeds \$25,000, we propose that the Organization's charitable status be also suspended under paragraph 188.2(1)(c) of the Act

#### Other non-compliance issues not subject to penalty

##### Issuing receipts not in accordance with the Act

Regulation 3501 of the Act states that 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 readily be altered,

- the name and address in Canada of the organization as recorded with the Minister;
- the registration number assigned by the Minister to the organization;
- the serial number of the receipt;
- the place or locality where the receipt was issued;
- where the gift is a cash gift, the date on which or the year during which the gift was received;
- where the gift is of property other than cash
  - the date on which the gift was received,
  - a brief description of the property, and
  - the name and address of the appraiser of the property if an appraisal is done;
- the date on which the receipt was issued;
- the name and address of the donor including, in the case of an individual, the individual's first name and initial;

<sup>9</sup> This represents the total of the amounts reported as eligible amounts stated on all official donation receipts issued with false information.

<sup>10</sup> This penalty is assessed under subsection 188.1(9) of the Act, and is assessed against the total amount of all of the official donation receipts that the Organization furnished using false information.

PROTECTED B

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- the amount that is
  - the amount of a cash gift, or
  - if the gift is of property other than cash, the amount that is the fair market value of the property at the time that the gift is made;
- a description of the advantage, if any, in respect of the gift and the amount of that advantage;
- the eligible amount of the gift;
- the signature of a responsible individual who has been authorized by the organization to acknowledge gifts; and
- the name and Internet web site of the Canada Revenue Agency.

#### Audit Findings

The copies of the official donation receipts provided during the audit did contain an amount indicated as an advantage. However, they did not provide a description of the advantage.

Furthermore, the audit found that the official donation receipts issued by the Organization over the years do not follow any logical numerical sequencing.

- The donation receipts from January 1, 2013 to December 31, 2013 follow the receipt order from [REDACTED] It appears that receipts numbered [REDACTED] are missing.
- Furthermore, the donation receipts from January 1, 2014 to December 31, 2014 are numbered [REDACTED]
- Meanwhile, the donation receipts from January 1, 2015 to December 31, 2015 are numbered [REDACTED]

It is the responsibility of the Organization to ensure that it maintains its information in a manner that enables the Minister to verify the correctness of such information

#### **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, we 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;

PROTECTED B

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- the application of penalties and/or suspensions provided for in sections 188.1 and/or 188.2 of the Act; or

**b) Do not respond**

You may choose not to respond. In that case, we may proceed with the application of penalties and/or suspensions described in sections 188.1 and/or 188.2 of the Act.

If you appoint a third party to represent you in this matter, please send us a written authorization with the party's name, contact information, and clearly specify the appropriate access granted to the party to discuss the file with us. For more information on how to authorize a representative, go on our website at <http://www.canada.ca/en/revenue-agency/services/forms-publications/forms/aut-01.html>

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers below. My team leader, Robert Bill, may also be reached at 514-229-0589.

Yours sincerely,

  
Sophie Nguyen  
Audit Division  
Montreal Tax Services Office (TSO)

Telephone: (438) 334-0699  
Facsimile: (514) 283-2769  
Address: 305 Rene-Levesque Boulevard West  
Montreal QC H2Z 1A6

c.c.: David Perlis  


# SCHEDULE B



**Consulting and Audit  
Canada**

An Agency of Public Works  
and Government Services  
Canada

**Conseils et Vérification  
Canada**

Une agence de Travaux publics  
et Services gouvernementaux  
Canada

**PROTECTED**

**310582 4001 82003**

March 13, 2003

Director General  
Charities Directorate  
Canada Customs and Revenue Agency

**AUDIT REPORT**

**Les écoles juives populaires et les écoles Peretz Inc. /  
Jewish People's Schools and Peretz Schools Inc.**  
Montreal, Quebec  
Business No: 10753 4893 RR 0001 (Registration No: 0156919)

We have examined the accounts and records of the Charity insofar as they pertain to the scope requested to determine its compliance with the Income Tax Act and related regulations, and attached hereto are our findings.

*Consulting and Audit Canada*

MONTREAL, QUEBEC

**Canada**

**CAC CVC**

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310562 4001 82003

Page 1 of 5

March 13, 2003

**A. CHARITY'S NAME:**

**Les écoles juives populaires et les écoles Peretz Inc. /  
Jewish People's Schools and Peretz Schools Inc.**

**REPRESENTATIVE:** [REDACTED] (Director of finance)

**TELEPHONE NO:** [REDACTED]

**BUSINESS NO:** 10753 4893 RR 0001

**REGISTRATION NO:** 0156919

**AUDIT TYPE:** [REDACTED]

**CLOSURE LETTER:** Undertaking letter issued (Ref.: FF3)

**AUDIT PERIOD:** July 1, 2000 to June 30, 2001

**AUDIT TIME:**

Orientation:  
Travel Time:  
Audit:  
Total:

[REDACTED]

**B. DEGREE OF NON-COMPLIANCE**

We have examined the accounts and records of the Charity insofar as the audit scope required. The following deficiencies have been identified:

**1. Improper Receipt Issuing Practices**

- a) Official receipts issued by the Charity did not contain the charity's name as recorded with Canada Customs and Revenue Agency, Charities Directorate.
- b) The Charity issued official receipts to 15 families for mandatory fundraising contributions (\$250 per family). Parents are required to contribute \$250 to the charity. If the parents raise at least \$250 in fundraising, the school will reimburse the contribution, otherwise the \$250 is kept by the Charity and an official donation receipt is issued.

**Canada****CAC**  
**CVC**

**PROTECTED**

310562 4001 82003

March 13, 2003

Page 2 of 5

**B. DEGREE OF NON-COMPLIANCE (cont'd)**

- c) The Charity issued official donation receipts for a capital assessment. This contribution of \$1,800 is a mandatory contribution and therefore does not satisfy the conditions to be considered as gift.

(Ref.: D1).

**Response**

The charity's representative told us that the official receipts will be issued in conformity to Interpretation Bulletin IT-110R3 in the future. (Ref.: DD1).

**2. Failure to Maintain Adequate Books and Records**

- a) The Charity could not provide us with a reconciliation of line 100 (\$2,280,475) of the T3010 return with official receipts issued. (Ref.: D1).
- b) The Charity did not properly report its revenues and expenses for fundraising activities in its financial statements. Revenues and expenses should have been \$214,750 and \$108,122 respectively, rather than \$108,628 and \$0. (Ref.: C1).

**Response**

The Charity's representative told us that the Charity will adequately maintain the books and records in the future. (Ref.: DD1).

**3. T3010 – Incorrect or Missing Information**

- a) As noted in Paragraph B.2.b) of this report, the Charity did not report the fundraising expenses in its T3010 return.
- b) The Charity did not complete properly the Section F "Remuneration and Benefit" of its T3010 return.
- c) In 1999, the Charity indicated that it did not issue tax receipts for tuition on line 712, section 10, Schedule A of its T3010 return, while our audit disclosed that it did issue official receipts for tuition with respect to religious education.

(Ref.: C1).

**Response**

The Charity's representative told us that the Charity will adequately complete the T3010 return in the future. (Ref.: DD2).

**Canada****CAC EVC**

**PROTECTED**

310562 4001 82003

March 13, 2003

Page 3 of 5

**B. DEGREE OF NON-COMPLIANCE (cont'd)****4. Cost per Pupil Calculation**

The Charity does segregate its cost of operating the secular portion of the school and the cost of providing religious training. Therefore, for the period ending June 30, 2001, we calculated and revised the cost per pupil to \$1,400. This amount is \$200 over the charity's cost per pupil calculation of \$1,200. (Ref.: E1).

**Response**

The charity's representative told us that the cost per pupil calculation will be done in conformity with Information Circular IC75-23 in the future. (Ref.: DD2).

**5. Failure to Notify Canada Customs and Revenue Agency of Modifications Made to name**

The Charity modified its name on August 1, 1978 without notifying Canada Customs and Revenue Agency, Charities Directorate. (Ref.: HH1).

**Canada****CAC**  
**EVC**

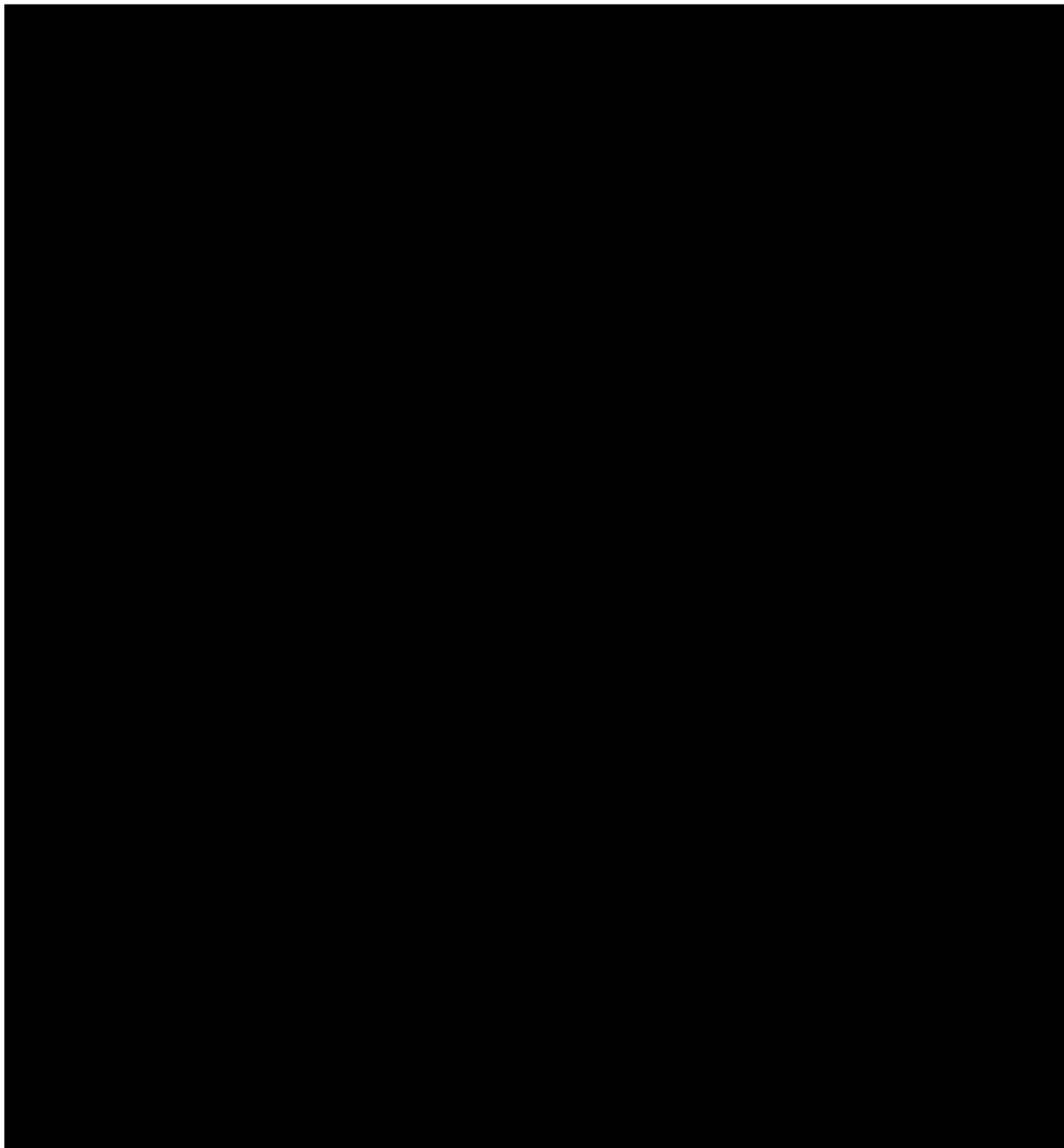


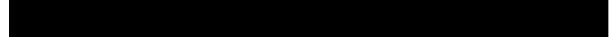
**PROTECTED**

**310562 4001 82003**

March 13, 2003

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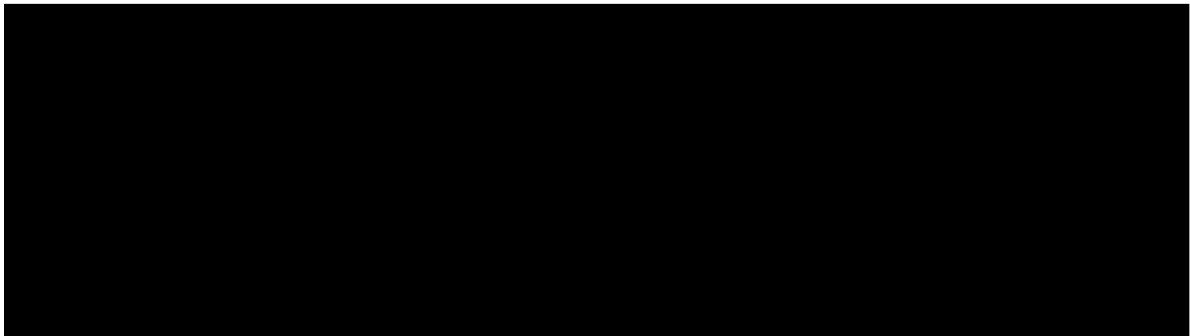


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**310562 4001 82003**

March 13, 2003

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**D. THIRD PARTIES**

N/A.

**E. OTHER CONSIDERATIONS**

Since the T3010 forms for the audited period were not available, we used the T3010 forms provided by the Charity to perform our audit. (Ref.: CC1.1 to CC2.7).

**Canada**

**CAC<sub>CVC</sub>**



# SCHEDULE C

Canada Customs  
and Revenue AgencyAgence des douanes  
et du revenu du Canada

Consoling and Audit Canada



Nouveau Message

Nouveau Message

310562 4001 82003

March 21, 2003

Les écoles juives populaires et les écoles Peretz Inc/  
Jewish People's Schools and Peretz Schools Inc.

C/O [REDACTED] (Director of finance)

5170 Van Horne Avenue

Montreal, Quebec H3W 1J6

**Re: Charity Income Tax Audit - 2000- 2001 Fiscal Period**  
**Business No: 10753 4893 RR 0001 (Registration No: 0156919)**

Sir:

We have now completed the audit of the books, records and activities of Les écoles juives populaires et les écoles Peretz Inc / Jewish People's Schools and Peretz Schools Inc. (hereinafter, the "Charity").

In order to maintain its registration, a registered charitable organization must comply with all the requirements of the *Income Tax Act* (the "Act") and the Regulations that pertain to registered charities. Audit results indicate that the Charity has failed to do so in the following respect:

1. Official receipts

- a) According to the Paragraph 3 of *Interpretation Bulletin IT-110R3* and *Regulation 3501*, a gift is a voluntary transfer of property without valuable consideration. Generally a gift is made if all three of the conditions listed below are satisfied:
- (i) some property-usually cash-is transferred by a donor to a registered charity;
  - (ii) the transfer is voluntary; and
  - (iii) the transfer is made without expectation of return. No benefit of any kind may be provided to the donor or to anyone designated by the donor, except where the benefit is of nominal value.

Our audit revealed that the Charity issued official receipts to 15 families for mandatory fundraising contribution (\$250 per family).

The Charity also issued official donation receipts for a capital assessment. This contribution of \$1,800 is a mandatory contribution and therefore does not satisfy the conditions to be considered as gift. We would advice that any contributions that are mandatory do not qualify as gifts, unless it is otherwise specified in *Interpretation Bulletin IT-110R3* and *Regulation 3501*.

.../2

Canada

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- b) According to the Paragraph 16 of *Interpretation Bulletin IT-110R3* and *Regulation 3501*, each official receipt issued to acknowledge a donation, must contain the charity's name as recorded with Canada Customs and Revenue Agency, Charities Directorate.

Our audit revealed that official receipts issued by the Charity did not contain the charity's name as recorded with Canada Customs and Revenue Agency, Charities Directorate.

2. Books and records

Section 230(2) of 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 containing:

- 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*;
- a duplicate of each receipt containing prescribed information for a donation received by it; and
- other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credits is available under this *Act*.

The audit revealed that:

- a) the Charity could not provide us with a reconciliation of total gifts received for which official receipts were issued as per line 100 (\$2,280,475) of the T3010 return with official receipt copies; and
- b) the Charity did not properly report its revenues and expenses for fundraising activities in its financial statements. Revenues and expenses should have been \$214,750 and \$106,122 respectively, rather than \$108,628 and \$0.

3. T3010 return

The audit results also indicated that the Charity is improperly completing the Information Return in that many of the items reported were incorrectly identified or omitted. Specifically,

- a) the Charity did not report the fundraising expenses in its T3010 return, as noted in Paragraph 2.b) of this letter;
- b) the Charity did not properly complete Section F of its T3010 return pertaining to remuneration and benefits; and
- c) in its 1999 T3010 return, the Charity did not report an amount on line 712, section 10, Schedule A, as it did issue official receipts for religious education.

It is the responsibility of the Charity to ensure that the information provided in its return, schedules and statements is factual and complete in every respect.

.../3

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4. Cost per pupil

According to the Paragraph 8 of *Information Circular IC75-23*, the net cost of operating the secular portion of the school will be determined to be the total operating costs of that portion of the school for a school year (excluding capital expenditures and depreciation) less miscellaneous income, grants received and donations received from persons with no children in attendance, unless such grants or donations were designated for a capital purpose. "Cost per pupil" would be the above-described cost divided by the number of students enrolled during the school year.

In the course of the audit, we calculated and revised the charity's cost per pupil as \$1,400 per student for the period ending June 30, 2001. Our calculations are based on the charity's books and records provided at that time. This amount is \$200 over the charity's cost per pupil calculation of \$1,200.

You are requested to forward **within 30 days of the date of this letter** an undertaking as to how the Charity plans to address the problems described above. Please mail the undertaking to:

Ms. Karen Crawford Byron  
Manager  
Assurance, Accounting and Audit Services  
Consulting and Audit Canada  
112 Kent Street, Tower B  
Ottawa, Ontario  
K1A 0S5

The facsimile number is (613) 943-8358. Please include your business/registration number on any correspondence.

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

We also wish to advise you that the completion of the audit should not be considered permission to destroy any of the Charity's books and records.

Finally, we wish to thank you for the assistance and cooperation provided during the audit.

Yours sincerely,

  
Louise Dubé  
Manager  
Consulting and Audit Canada

# SCHEDULE D

25/2004 10:54 #418 P.002



בתי ספר עממיים יהודיים ובתי ספר פרץ  
LES ÉCOLES JUIVES POPULAIRES ET LES ÉCOLES PERETZ  
JEWISH PEOPLE'S SCHOOLS & PERETZ SCHOOLS  
ידיעות תלמידים וילדי פרץ שולחן

5170 VAN HORNE AVENUE, MONTRÉAL, QUÉ. H3W 1J6

Ms. Karen Crawford Byron  
Manager  
Assurance, Accounting and Audit Services  
Consulting and Audit Canada  
112 Kent Street, Tower B  
Ottawa, Ontario  
K1A 0S5

Business #: 10753 4893 RR 0001  
Registration #: 0156919  
File #: 310562 4001 82003

April 1<sup>st</sup>, 2003

In response to your letter March 21<sup>st</sup>, 2003, we would like to submit the following answers to your issues:

- 1) Your first paragraph refers to "Mandatory Fundraising Contribution". As was explained to Mr. Cheung when he was performing his audit, this is NOT a Mandatory Fundraising fee but rather a MANDATORY SCHOOL FEE that can be reimbursed to those parents who participate in certain fund raising activities. Amongst those who did participate in fund raising activities, there were parents who were entitled to either a full or partial refund BUT who opted not to take this refund. As these people are clearly entitled to a reimbursement of this portion of their school fees and they have VOLUNTARILY opted not to receive this refund without EXPECTATION of RETURN, they are clearly entitled to a tax receipt in this amount.  
The issue that Mr. Cheung had pointed out to me at the date of audit was that the description of the program made it sound as though it was a mandatory fundraising. I did clearly explain the program and he did agree that a modification of the description of this program along with a modification of the caption used on our billing would suffice to allow this donation receipt.

02/25/2007 10:55 #418 P.003

- 2) Concerning the \$1,800 PLEDGE to the Capital Assessment, there are certain discrepancies that were not clarified by either side at the audit date. This PLEDGE falls under paragraph 9 of IT-110R3 (Exceptions to the General Rule), which states that an amount can be considered to be a gift DESPITE its having being paid to honour an OBLIGATION, if the Obligation was entered into voluntarily and without consideration.  
Clearly, all of the families who PLEDGE the \$1,800 in capital assessment (Not all families do) do so VOLUNTARILY and there is absolutely no Consideration given to any related person for this gift. As both of these conditions have been satisfied by this PLEDGE, the receipt is indeed eligible for a Tax receipt. We have also taken the time to verify the validity of this claim amongst our school peers and our external auditors. All have agreed that this method is valid and has been tested and accepted by Revenue Canada in previous audits.
- 3) Concerning the Name of the Charity that CCRA has on its records, we are attaching to this letter a copy of our charter for complete clarity. We on our side will make certain that all of our tax receipt make reference to the same name.
- 4) Concerning the books & records of the charity, as was explained to Mr. Cheung, we are currently in transition from an older system that was unable to computerize the necessary calculations to one that will be able to make all of these reports & calculations in a proper and computerized manner.
- 5) Concerning the T3010, all items reported by yourselves have been remedied effective the June 30, 2002 year end.
- 6) Concerning the cost per Pupil, we are indeed in agreement with the findings of the audit. The previous method of calculation did contain a minor error. All future calculations and receipts will reflect the method as revised by your audit.

Hoping that all will be to your satisfaction we remain at your entire disposition should you require any additional information,

Sincerely,

Director of Finance & Administration

# SCHEDULE E

